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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

| Commission File Number | Name of Registrants, State of Incorporation, Address and Telephone Number | I.R.S. Employer Identification No. |
|---|---|---|
| 001-32462 | PNM Resources, Inc.<br>(A New Mexico Corporation)<br>414 Silver Ave. SW<br>Albuquerque, New Mexico 87102-3289<br>(505) 241-2700 | 85-0468296 |
| 001-06986 | Public Service Company of New Mexico<br>(A New Mexico Corporation)<br>414 Silver Ave. SW<br>Albuquerque, New Mexico 87102-3289<br>(505) 241-2700 | 85-0019030 |
| 002-97230 | Texas-New Mexico Power Company<br>(A Texas Corporation)<br>577 N. Garden Ridge Blvd.<br>Lewisville, Texas 75067<br>(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 ü | NO |
| Public Service Company of New Mexico (“PNM”) | YES ü | NO |
| Texas-New Mexico Power Company (“TNMP”) | YES | NO ü |

(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 | YES ü NO |
| PNM | YES ü NO |
| TNMP | 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 October 23, 2015, 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 23, 2015 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 23, 2015 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

GLOSSARY

Definitions:

| | |
|---|---|
| ABCWUA | Albuquerque-Bernalillo County Water Utility Authority |
| 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, the operator and a co-owner of PVNGS and Four Corners |
| ASU | Accounting Standards Update |
| BACT | Best Available Control Technology |
| BART | Best Available Retrofit Technology |
| BDT | Balanced Draft Technology |
| BHP | BHP Billiton, Ltd, 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 |
| COFA | Capacity Option and Funding Agreement |
| CSA | Coal Supply Agreement |
| 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 |
| EPE | El Paso Electric |
| 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 |
| FTY | Future Test Year |
| 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 |

Table of Contents

| | |
|---|---|
| ISFSI | Independent Spent Fuel Storage Installation |
| KW | Kilowatt |
| KWh | Kilowatt Hour |
| LIBOR | London Interbank Offered Rate |
| Lightning Dock Geothermal | Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant |
| Lordsburg | Lordsburg Generating Station |
| Luna | Luna Energy Facility |
| MD&A | Management’s Discussion and Analysis of Financial Condition and Results of Operations |
| MMBTU | Million BTUs |
| Moody’s | Moody’s Investor Services, Inc. |
| MW | Megawatt |
| MWh | Megawatt Hour |
| NAAQS | National Ambient Air Quality Standards |
| Navajo Acts | Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act |
| NDT | Nuclear Decommissioning Trusts for PVNGS |
| NEC | Navopache Electric Cooperative, Inc. |
| NEE | New Energy Economy |
| NEPA | National Environmental Policy Act |
| NERC | North American Electric Reliability Corporation |
| New Mexico Wind | New Mexico Wind Energy Center |
| NMAG | New Mexico Attorney General |
| NMED | New Mexico Environment Department |
| NMIEC | New Mexico Industrial Energy Consumers Inc. |
| NMPRC | New Mexico Public Regulation Commission |
| NMSC | New Mexico Supreme Court |
| 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 |
| PCRBs | Pollution Control Revenue Bonds |
| PNM | Public Service Company of New Mexico and Subsidiaries |
| PNM 2013 Term Loan Agreement | PNM’s $75.0 Million Unsecured Term Loan |
| PNM 2014 Term Loan Agreement | PNM’s $175.0 Million Unsecured Term Loan |
| PNM Multi-draw Term Loan | PNM’s $125.0 Million Unsecured Multi-draw Term Loan Facility |
| PNM New Mexico Credit Facility | PNM’s $50.0 Million Unsecured Revolving Credit Facility |
| PNM Revolving Credit Facility | PNM’s $400.0 Million Unsecured Revolving Credit Facility |
| PNMR | PNM Resources, Inc. and Subsidiaries |
| | PNMR’s $150.0 Million Unsecured Term Loan |

| | |
|---|---|
| PNMR 2015 Term Loan Agreement | |
| PNMR Development | PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR |

| | |
|---|---|
| PNMR Revolving Credit Facility | PNMR's $300.0 Million Unsecured Revolving Credit Facility |
| PNMR Term Loan Agreement | PNMR's $100.0 Million Unsecured Term Loan |
| PPA | Power Purchase Agreement |
| PSA | Power Sales Agreement |
| PSD | Prevention of Significant Deterioration |
| PUCT | Public Utility Commission of Texas |
| PV | Photovoltaic |
| PVNGS | Palo Verde Nuclear Generating Station |
| RA | San Juan Project Restructuring Agreement |
| RCRA | Resource Conservation and Recovery Act |
| RCT | Reasonable Cost Threshold |
| REA | New Mexico's Renewable Energy Act of 2004 |
| REC | Renewable Energy Certificates |
| Red Mesa Wind | Red Mesa Wind Energy Center |
| REP | Retail Electricity Provider |
| Rio Bravo | Rio Bravo Generating Station, formerly known as Delta |
| RMC | Risk Management Committee |
| ROE | Return on Equity |
| RPS | Renewable Energy Portfolio Standard |
| RSIP | Revised State Implementation Plan |
| S&P | Standard and Poor's Ratings Services |
| SCE | Southern California Edison Company |
| SCPPA | Southern California Public Power Authority |
| 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 |
| 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 Secured Revolving Credit Facility |
| TNP | TNP Enterprises, Inc. and Subsidiaries |
| Tucson | Tucson Electric Power Company |
| UG-CSA | Underground Coal Sales Agreement |
| Valencia | Valencia Energy Facility |
| VaR | Value at Risk |
| WACC | Weighted Average Cost of Capital |
| WEG | WildEarth Guardians |

6

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands, except per share amounts) | | | |
| Electric Operating Revenues | $417,433 | $413,951 | $1,103,187 | $1,089,008 |
| Operating Expenses: | | | | |
| Cost of energy | 124,255 | 132,499 | 353,939 | 354,532 |
| Administrative and general | 46,375 | 42,190 | 130,161 | 131,283 |
| Energy production costs | 42,168 | 43,287 | 129,627 | 136,422 |
| Regulatory disallowances | — | — | 1,744 | — |
| Depreciation and amortization | 47,503 | 44,295 | 139,013 | 128,424 |
| Transmission and distribution costs | 16,768 | 16,884 | 50,123 | 49,857 |
| Taxes other than income taxes | 18,859 | 17,997 | 55,093 | 51,641 |
| Total operating expenses | 295,928 | 297,152 | 859,700 | 852,159 |
| Operating income | 121,505 | 116,799 | 243,487 | 236,849 |
| Other Income and Deductions: | | | | |
| Interest income | 1,151 | 2,084 | 4,842 | 6,241 |
| Gains on available-for-sale securities | 2,536 | 962 | 12,116 | 8,234 |
| Other income | 6,165 | 2,895 | 16,844 | 7,648 |
| Other (deductions) | (3,222) | (2,084) | (10,591) | (7,185) |
| Net other income and deductions | 6,630 | 3,857 | 23,211 | 14,938 |
| Interest Charges | 27,528 | 30,115 | 86,714 | 89,621 |
| Earnings before Income Taxes | 100,607 | 90,541 | 179,984 | 162,166 |
| Income Taxes | 35,752 | 31,055 | 61,621 | 53,368 |
| Net Earnings | 64,855 | 59,486 | 118,363 | 108,798 |
| (Earnings) Attributable to Valencia Non-controlling Interest | (3,678) | (3,701) | (10,909) | (11,140) |
| Preferred Stock Dividend Requirements of Subsidiary | (132) | (132) | (396) | (396) |
| Net Earnings Attributable to PNMR | $61,045 | $55,653 | $107,058 | $97,262 |
| Net Earnings Attributable to PNMR per Common Share: | | | | |
| Basic | $0.77 | $0.70 | $1.34 | $1.22 |
| Diluted | $0.76 | $0.69 | $1.34 | $1.21 |
| Dividends Declared per Common Share | $0.200 | $0.185 | $0.600 | $0.555 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Net Earnings | $64,855 | $59,486 | $118,363 | $108,798 |
| Other Comprehensive Income (Loss): | | | | |
| Unrealized Gain on Available-for-Sale Securities: | | | | |
| Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $1,200, $(137), $(1,213) and $(3,946) | (1,862) | 210 | 1,882 | 6,256 |
| Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $3,925, $1,059, $8,838 and $4,547 | (6,090) | (1,628) | (13,714) | (6,997) |
| Pension Liability Adjustment: | | | | |
| Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(583), $(508), $(1,749) and $(1,524) | 905 | 780 | 2,715 | 2,340 |
| Fair Value Adjustment for Cash Flow Hedges: | | | | |
| Change in fair market value, net of income tax (expense) benefit of $276, $0, $276 and $53 | (428) | — | (428) | (100) |
| Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $0, $3, $0 and $(58) | — | (6) | — | 109 |
| Total Other Comprehensive Income (Loss) | (7,475) | (644) | (9,545) | 1,608 |
| Comprehensive Income | 57,380 | 58,842 | 108,818 | 110,406 |
| Comprehensive (Income) Attributable to Valencia Non-controlling Interest | (3,678) | (3,701) | (10,909) | (11,140) |
| Preferred Stock Dividend Requirements of Subsidiary | (132) | (132) | (396) | (396) |
| Comprehensive Income Attributable to PNMR | $53,570 | $55,009 | $97,513 | $98,870 |

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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash Flows From Operating Activities: | | |
| Net earnings | $118,363 | $108,798 |
| Adjustments to reconcile net earnings to net cash flows from operating activities: | | |
| Depreciation and amortization | 165,563 | 157,687 |
| Deferred income tax expense | 62,511 | 55,553 |
| Net unrealized (gains) losses on commodity derivatives | 1,251 | (67) |
| Realized (gains) on available-for-sale securities | (12,116) | (8,234) |
| Stock based compensation expense | 3,748 | 4,680 |
| Regulatory disallowances | 1,744 | — |
| Other, net | (4,301) | (642) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable and unbilled revenues | (23,783) | (22,158) |
| Materials, supplies, and fuel stock | (3,629) | 5,494 |
| Other current assets | 37,756 | (19,816) |
| Other assets | 12,350 | 30,502 |
| Accounts payable | 1,275 | 79 |
| Accrued interest and taxes | 28,233 | 32,488 |
| Other current liabilities | (12,731) | (21,197) |
| Other liabilities | (40,662) | 3,074 |
| Net cash flows from operating activities | 335,572 | 326,241 |
| | | |
| Cash Flows From Investing Activities: | | |
| Additions to utility and non-utility plant | (411,606) | (293,361) |
| Proceeds from sales of available-for-sale securities | 166,097 | 82,222 |
| Purchases of available-for-sale securities | (166,268) | (81,644) |
| Return of principal on PVNGS lessor notes | 21,694 | 20,758 |
| Purchase of Rio Bravo | — | (36,235) |
| Other, net | 2,891 | (3,433) |
| Net cash flows from investing activities | (387,192) | (311,693) |

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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash Flows From Financing Activities: | | |
| Short-term borrowings (repayments), net | (3,000) | (49,200) |
| Long-term borrowings | 463,605 | 255,000 |
| Repayment of long-term debt | (333,066) | (125,000) |
| Proceeds from stock option exercise | 7,394 | 5,495 |
| Awards of common stock | (18,955) | (15,573) |
| Dividends paid | (48,188) | (44,600) |
| Valencia's transactions with its owner | (12,107) | (12,749) |
| Other, net | (5,402) | (2,030) |
| Net cash flows from financing activities | 50,281 | 11,343 |
| | | |
| Change in Cash and Cash Equivalents | (1,339) | 25,891 |
| Cash and Cash Equivalents at Beginning of Period | 28,274 | 2,533 |
| Cash and Cash Equivalents at End of Period | $26,935 | $28,424 |
| | | |
| Supplemental Cash Flow Disclosures: | | |
| Interest paid, net of amounts capitalized | $63,046 | $60,075 |
| Income taxes paid (refunded), net | $(1,636) | $(2,529) |
| | | |
| Supplemental schedule of noncash investing and financing activities: | | |
| Changes in accrued plant additions | $(8,748) | $(6,674) |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $26,935 | $28,274 |
| Accounts receivable, net of allowance for uncollectible accounts of $1,363 and $1,466 | 110,562 | 87,038 |
| Unbilled revenues | 61,739 | 63,719 |
| Other receivables | 22,234 | 39,857 |
| Materials, supplies, and fuel stock | 67,256 | 63,628 |
| Regulatory assets | 4,957 | 47,855 |
| Commodity derivative instruments | 6,144 | 11,232 |
| Income taxes receivable | 5,614 | 6,360 |
| Current portion of accumulated deferred income taxes | 26,383 | 26,383 |
| Other current assets | 76,161 | 58,471 |
| Total current assets | 407,985 | 432,817 |
| Other Property and Investments: | | |
| Investment in PVNGS lessor notes | — | 9,538 |
| Available-for-sale securities | 242,795 | 250,145 |
| Other investments | 490 | 1,762 |
| Non-utility property | 3,404 | 3,406 |
| Total other property and investments | 246,689 | 264,851 |
| Utility Plant: | | |
| Plant in service and plant held for future use | 6,147,782 | 5,941,581 |
| Less accumulated depreciation and amortization | 2,043,482 | 1,939,760 |
| | 4,104,300 | 4,001,821 |
| Construction work in progress | 366,980 | 190,389 |
| Nuclear fuel, net of accumulated amortization of $51,719 and $44,507 | 79,954 | 77,796 |
| Net utility plant | 4,551,234 | 4,270,006 |
| Deferred Charges and Other Assets: | | |
| Regulatory assets | 464,766 | 491,007 |
| Goodwill | 278,297 | 278,297 |
| Commodity derivative instruments | 3,369 | — |
| Other deferred charges | 100,512 | 92,347 |
| Total deferred charges and other assets | 846,944 | 861,651 |
| | $6,052,852 | $5,829,325 |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands, except share information) | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Short-term debt | $102,600 | $105,600 |
| Current installments of long-term debt | 125,000 | 333,066 |
| Accounts payable | 120,052 | 110,029 |
| Customer deposits | 12,502 | 12,555 |
| Accrued interest and taxes | 81,932 | 53,863 |
| Regulatory liabilities | 2,205 | 1,703 |
| Commodity derivative instruments | 984 | 1,209 |
| Dividends declared | 16,063 | 16,063 |
| Other current liabilities | 57,249 | 70,194 |
| Total current liabilities | 518,587 | 704,282 |
| Long-term Debt | 1,980,381 | 1,642,024 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated deferred income taxes | 949,642 | 891,111 |
| Regulatory liabilities | 472,035 | 466,143 |
| Asset retirement obligations | 111,595 | 104,170 |
| Accrued pension liability and postretirement benefit cost | 66,346 | 110,738 |
| Commodity derivative instruments | — | 477 |
| Other deferred credits | 107,072 | 103,759 |
| Total deferred credits and other liabilities | 1,706,690 | 1,676,398 |
| Total liabilities | 4,205,658 | 4,022,704 |
| 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) | 1,165,895 | 1,173,845 |
| Accumulated other comprehensive income (loss), net of income taxes | (71,300) | (61,755) |
| Retained earnings | 668,722 | 609,456 |
| Total PNMR common stockholders' equity | 1,763,317 | 1,721,546 |
| Non-controlling interest in Valencia | 72,348 | 73,546 |
| Total equity | 1,835,665 | 1,795,092 |
| | $6,052,852 | $5,829,325 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | AOCI | Retained Earnings | Total PNMR Common Stockholder's Equity | Non-controlling Interest in Valencia | Total Equity |
| | (In thousands) | | | | | |
| Balance at December 31, 2014 | $1,173,845 | $(61,755) | $609,456 | $1,721,546 | $73,546 | $1,795,092 |
| Proceeds from stock option exercise | 7,394 | — | — | 7,394 | — | 7,394 |
| Awards of common stock | (18,955) | — | — | (18,955) | — | (18,955) |
| Excess tax (shortfall) from stock-based payment arrangements | (137) | — | — | (137) | — | (137) |
| Stock based compensation expense | 3,748 | — | — | 3,748 | — | 3,748 |
| Valencia's transactions with its owner | — | — | — | — | (12,107) | (12,107) |
| Net earnings before subsidiary preferred stock dividends | — | — | 107,454 | 107,454 | 10,909 | 118,363 |
| Subsidiary preferred stock dividends | — | — | (396) | (396) | — | (396) |
| Total other comprehensive income (loss) | — | (9,545) | — | (9,545) | — | (9,545) |
| Dividends declared on common stock | — | — | (47,792) | (47,792) | — | (47,792) |
| Balance at September 30, 2015 | $1,165,895 | $(71,300) | $668,722 | $1,763,317 | $72,348 | $1,835,665 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Electric Operating Revenues | $333,437 | $334,993 | $870,826 | $873,434 |
| Operating Expenses: | | | | |
| Cost of energy | 105,708 | 115,097 | 299,302 | 304,365 |
| Administrative and general | 41,927 | 37,519 | 118,450 | 116,731 |
| Energy production costs | 42,168 | 43,287 | 129,627 | 136,422 |
| Regulatory disallowances | — | — | 1,744 | — |
| Depreciation and amortization | 29,042 | 27,524 | 86,446 | 81,629 |
| Transmission and distribution costs | 10,478 | 10,693 | 31,519 | 32,202 |
| Taxes other than income taxes | 10,404 | 10,258 | 31,194 | 30,359 |
| Total operating expenses | 239,727 | 244,378 | 698,282 | 701,708 |
| Operating income | 93,710 | 90,615 | 172,544 | 171,726 |
| Other Income and Deductions: | | | | |
| Interest income | 1,152 | 2,102 | 4,869 | 6,295 |
| Gains on available-for-sale securities | 2,536 | 962 | 12,116 | 8,234 |
| Other income | 5,369 | 1,804 | 13,661 | 5,359 |
| Other (deductions) | (2,616) | (1,197) | (7,230) | (4,844) |
| Net other income and deductions | 6,441 | 3,671 | 23,416 | 15,044 |
| Interest Charges | 19,837 | 20,092 | 59,477 | 59,927 |
| Earnings before Income Taxes | 80,314 | 74,194 | 136,483 | 126,843 |
| Income Taxes | 27,258 | 25,142 | 44,560 | 42,331 |
| Net Earnings | 53,056 | 49,052 | 91,923 | 84,512 |
| (Earnings) Attributable to Valencia Non-controlling Interest | (3,678) | (3,701) | (10,909) | (11,140) |
| Net Earnings Attributable to PNM | 49,378 | 45,351 | 81,014 | 73,372 |
| Preferred Stock Dividends Requirements | (132) | (132) | (396) | (396) |
| Net Earnings Available for PNM Common Stock | $49,246 | $45,219 | $80,618 | $72,976 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Net Earnings | $53,056 | $49,052 | $91,923 | $84,512 |
| Other Comprehensive Income (Loss): | | | | |
| Unrealized Gain on Available-for-Sale Securities: | | | | |
| Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $1,200, $(137), $(1,213) and $(3,946) | (1,862) | 210 | 1,882 | 6,256 |
| Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $3,925, $1,059, $8,838 and $4,547 | (6,090) | (1,628) | (13,714) | (6,997) |
| Pension Liability Adjustment: | | | | |
| Reclassification adjustment for amortization of experience (gain) loss recognized as net periodic benefit cost, net of income tax expense (benefit) of $(583), $(508), $(1,749) and $(1,524) | 905 | 780 | 2,715 | 2,340 |
| Total Other Comprehensive Income (Loss) | (7,047) | (638) | (9,117) | 1,599 |
| Comprehensive Income | 46,009 | 48,414 | 82,806 | 86,111 |
| Comprehensive (Income) Attributable to Valencia Non-controlling Interest | (3,678) | (3,701) | (10,909) | (11,140) |
| Comprehensive Income Attributable to PNM | $42,331 | $44,713 | $71,897 | $74,971 |

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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash Flows From Operating Activities: | | |
| Net earnings | $91,923 | $84,512 |
| Adjustments to reconcile net earnings to net cash flows from operating activities: | | |
| Depreciation and amortization | 111,371 | 108,069 |
| Deferred income tax expense | 46,268 | 45,313 |
| Net unrealized (gains) losses on commodity derivatives | 1,251 | (67) |
| Realized (gains) on available-for-sale securities | (12,116) | (8,234) |
| Regulatory disallowances | 1,744 | — |
| Other, net | (5,288) | (355) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable and unbilled revenues | (16,220) | (16,782) |
| Materials, supplies, and fuel stock | (3,328) | 5,697 |
| Other current assets | 36,707 | (20,806) |
| Other assets | 12,126 | 29,796 |
| Accounts payable | (794) | 10,100 |
| Accrued interest and taxes | 22,856 | 19,984 |
| Other current liabilities | (12,099) | (21,586) |
| Other liabilities | (34,224) | 2,841 |
| Net cash flows from operating activities | 240,177 | 238,482 |
| Cash Flows From Investing Activities: | | |
| Utility plant additions | (301,410) | (199,771) |
| Proceeds from sales of available-for-sale securities | 166,097 | 82,222 |
| Purchases of available-for-sale securities | (166,268) | (81,644) |
| Return of principal on PVNGS lessor notes | 21,694 | 20,758 |
| Purchase of Rio Bravo | — | (36,235) |
| Other, net | 3,051 | (3,404) |
| Net cash flows from investing activities | (276,836) | (218,074) |

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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash Flows From Financing Activities: | | |
| Short-term borrowings (repayments), net | — | (49,200) |
| Short-term borrowings (repayments), affiliate, net | — | (26,000) |
| Long-term borrowings | 313,605 | 175,000 |
| Repayment of long-term debt | (214,300) | (75,000) |
| Valencia’s transactions with its owner | (12,107) | (12,749) |
| Dividends paid | (46,548) | (30,659) |
| Other, net | (4,934) | (1,196) |
| Net cash flows from financing activities | 35,716 | (19,804) |
| | | |
| Change in Cash and Cash Equivalents | (943) | 604 |
| Cash and Cash Equivalents at Beginning of Period | 25,480 | 21 |
| Cash and Cash Equivalents at End of Period | $24,537 | $625 |
| | | |
| Supplemental Cash Flow Disclosures: | | |
| Interest paid, net of amounts capitalized | $42,680 | $41,606 |
| Income taxes paid (refunded), net | $(1,450) | $(215) |
| | | |
| Supplemental schedule of noncash investing activities: | | |
| Changes in accrued plant additions | $(9,933) | $(10,586) |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $24,537 | $25,480 |
| Accounts receivable, net of allowance for uncollectible accounts of $1,363 and $1,466 | 83,401 | 67,622 |
| Unbilled revenues | 52,342 | 54,140 |
| Other receivables | 19,036 | 37,622 |
| Affiliate receivables | 8,859 | 8,853 |
| Materials, supplies, and fuel stock | 64,186 | 60,859 |
| Regulatory assets | 3,064 | 43,980 |
| Commodity derivative instruments | 6,144 | 11,232 |
| Income taxes receivable | 6,363 | 6,105 |
| Current portion of accumulated deferred income taxes | 12,418 | 12,418 |
| Other current assets | 70,796 | 53,095 |
| Total current assets | 351,146 | 381,406 |
| Other Property and Investments: | | |
| Investment in PVNGS lessor notes | — | 9,538 |
| Available-for-sale securities | 242,795 | 250,145 |
| Other investments | 252 | 397 |
| Non-utility property | 96 | 96 |
| Total other property and investments | 243,143 | 260,176 |
| Utility Plant: | | |
| Plant in service and plant held for future use | 4,728,597 | 4,581,066 |
| Less accumulated depreciation and amortization | 1,556,065 | 1,486,406 |
| | 3,172,532 | 3,094,660 |
| Construction work in progress | 307,676 | 169,673 |
| Nuclear fuel, net of accumulated amortization of $51,719 and $44,507 | 79,954 | 77,796 |
| Net utility plant | 3,560,162 | 3,342,129 |
| Deferred Charges and Other Assets: | | |
| Regulatory assets | 337,712 | 357,045 |
| Goodwill | 51,632 | 51,632 |
| Commodity derivative instruments | 3,369 | — |
| Other deferred charges | 90,389 | 81,264 |
| Total deferred charges and other assets | 483,102 | 489,941 |
| | $4,637,553 | $4,473,652 |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands, except share information) | |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Current Liabilities: | | |
| Current installments of long-term debt | $125,000 | $214,300 |
| Accounts payable | 95,194 | 86,055 |
| Affiliate payables | 17,070 | 18,232 |
| Customer deposits | 12,502 | 12,555 |
| Accrued interest and taxes | 52,994 | 29,298 |
| Regulatory liabilities | 2,205 | 1,703 |
| Commodity derivative instruments | 984 | 1,209 |
| Dividends declared | 132 | 132 |
| Other current liabilities | 40,798 | 52,053 |
| Total current liabilities | 346,879 | 415,537 |
| Long-term Debt | 1,464,991 | 1,276,357 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated deferred income taxes | 758,182 | 715,814 |
| Regulatory liabilities | 435,473 | 425,481 |
| Asset retirement obligations | 110,545 | 103,182 |
| Accrued pension liability and postretirement benefit cost | 59,367 | 102,850 |
| Commodity derivative instruments | — | 477 |
| Other deferred credits | 90,034 | 86,023 |
| Total deferred credits and liabilities | 1,453,601 | 1,433,827 |
| Total liabilities | 3,265,471 | 3,125,721 |
| 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 | (70,872) | (61,755) |
| Retained earnings | 297,301 | 262,835 |
| Total PNM common stockholder's equity | 1,288,205 | 1,262,856 |
| Non-controlling interest in Valencia | 72,348 | 73,546 |
| Total equity | 1,360,553 | 1,336,402 |
| | $4,637,553 | $4,473,652 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | AOCI | Retained Earnings | Total PNM Common Stockholder's Equity | Non-controlling Interest in Valencia | Total Equity |
| | (In thousands) | | | | | |
| Balance at December 31, 2014 | $1,061,776 | $(61,755) | $262,835 | $1,262,856 | $73,546 | $1,336,402 |
| Valencia's transactions with its owner | — | — | — | — | (12,107) | (12,107) |
| Net earnings | — | — | 81,014 | 81,014 | 10,909 | 91,923 |
| Total other comprehensive income (loss) | — | (9,117) | — | (9,117) | — | (9,117) |
| Dividends declared on preferred stock | — | — | (396) | (396) | — | (396) |
| Dividends declared on common stock | — | — | (46,152) | (46,152) | — | (46,152) |
| Balance at September 30, 2015 | $1,061,776 | $(70,872) | $297,301 | $1,288,205 | $72,348 | $1,360,553 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Electric Operating Revenues | $83,996 | $78,958 | $232,361 | $215,574 |
| Operating Expenses: | | | | |
| Cost of energy | 18,547 | 17,402 | 54,637 | 50,167 |
| Administrative and general | 9,071 | 9,230 | 26,946 | 27,839 |
| Depreciation and amortization | 15,016 | 13,432 | 42,065 | 37,276 |
| Transmission and distribution costs | 6,290 | 6,191 | 18,604 | 17,655 |
| Taxes other than income taxes | 7,405 | 6,830 | 19,782 | 18,238 |
| Total operating expenses | 56,329 | 53,085 | 162,034 | 151,175 |
| Operating income | 27,667 | 25,873 | 70,327 | 64,399 |
| Other Income and Deductions: | | | | |
| Other income | 774 | 1,072 | 3,106 | 2,078 |
| Other (deductions) | (102) | (279) | (349) | (583) |
| Net other income and deductions | 672 | 793 | 2,757 | 1,495 |
| Interest Charges | 6,855 | 6,870 | 20,636 | 20,122 |
| Earnings before Income Taxes | 21,484 | 19,796 | 52,448 | 45,772 |
| Income Taxes | 7,795 | 7,441 | 19,200 | 17,081 |
| Net Earnings | $13,689 | $12,355 | $33,248 | $28,691 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Net Earnings | $13,689 | $12,355 | $33,248 | $28,691 |
| Other Comprehensive Income: | | | | |
| Fair Value Adjustment for Cash Flow Hedges: | | | | |
| Change in fair market value, net of income tax (expense) benefit of $0, $0, $0 and $53 | — | — | — | (100) |
| Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of $0, $3, $0 and $(58) | — | (6) | — | 109 |
| Total Other Comprehensive Income (Loss) | — | (6) | — | 9 |
| Comprehensive Income | $13,689 | $12,349 | $33,248 | $28,700 |

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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash Flows From Operating Activities: | | |
| Net earnings | $33,248 | $28,691 |
| Adjustments to reconcile net earnings to net cash flows from operating activities: | | |
| Depreciation and amortization | 43,272 | 39,577 |
| Deferred income tax expense | 3,575 | 4,256 |
| Other, net | (125) | (169) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable and unbilled revenues | (7,563) | (5,376) |
| Materials and supplies | (301) | (203) |
| Other current assets | 2,712 | 1,761 |
| Other assets | (272) | (58) |
| Accounts payable | (210) | (1,302) |
| Accrued interest and taxes | 19,757 | 19,054 |
| Other current liabilities | 1,033 | (1,217) |
| Other liabilities | (5,870) | 1,397 |
| Net cash flows from operating activities | 89,256 | 86,411 |
| Cash Flows From Investing Activities: | | |
| Utility plant additions | (90,497) | (88,940) |
| Net cash flows from investing activities | (90,497) | (88,940) |
| Cash Flow From Financing Activities: | | |
| Short-term borrowings (repayments), net | (5,000) | — |
| Short-term borrowings (repayments) – affiliate, net | 25,800 | (10,300) |
| Long-term borrowings | — | 80,000 |
| Repayment of long-term debt | — | (50,000) |
| Dividends paid | (19,559) | (16,336) |
| Other, net | — | (835) |
| Net cash flows from financing activities | 1,241 | 2,529 |
| | | |
| Change in Cash and Cash Equivalents | — | — |
| Cash and Cash Equivalents at Beginning of Period | 1 | 1 |
| Cash and Cash Equivalents at End of Period | $1 | $1 |
| | | |
| Supplemental Cash Flow Disclosures: | | |
| Interest paid, net of amounts capitalized | $13,308 | $11,778 |
| Income taxes paid (refunded), net | $545 | $(299) |
| | | |
| Supplemental schedule of noncash investing and financing activities: | | |
| Changes in accrued plant additions | $(216) | $1,658 |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $1 | $1 |
| Accounts receivable | 27,161 | 19,416 |
| Unbilled revenues | 9,397 | 9,579 |
| Other receivables | 1,009 | 2,063 |
| Materials and supplies | 3,070 | 2,769 |
| Regulatory assets | 1,893 | 3,875 |
| Current portion of accumulated deferred income taxes | 6,398 | 6,398 |
| Other current assets | 1,256 | 938 |
| Total current assets | 50,185 | 45,039 |
| Other Property and Investments: | | |
| Other investments | 238 | 242 |
| Non-utility property | 2,240 | 2,240 |
| Total other property and investments | 2,478 | 2,482 |
| Utility Plant: | | |
| Plant in service and plant held for future use | 1,235,573 | 1,182,112 |
| Less accumulated depreciation and amortization | 399,479 | 375,407 |
| | 836,094 | 806,705 |
| Construction work in progress | 42,535 | 16,538 |
| Net utility plant | 878,629 | 823,243 |
| Deferred Charges and Other Assets: | | |
| Regulatory assets | 127,054 | 133,962 |
| Goodwill | 226,665 | 226,665 |
| Other deferred charges | 8,186 | 8,850 |
| Total deferred charges and other assets | 361,905 | 369,477 |
| | $1,293,197 | $1,240,241 |

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)

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands, except share information) | |
| LIABILITIES AND STOCKHOLDER’S EQUITY | | |
| Current Liabilities: | | |
| Short-term debt | $— | $5,000 |
| Short-term debt – affiliate | 48,500 | 22,700 |
| Accounts payable | 14,210 | 14,203 |
| Affiliate payables | 2,596 | 2,469 |
| Accrued interest and taxes | 48,331 | 28,574 |
| Other current liabilities | 3,145 | 2,271 |
| Total current liabilities | 116,782 | 75,217 |
| Long-term Debt | 365,390 | 365,667 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated deferred income taxes | 221,714 | 217,945 |
| Regulatory liabilities | 36,562 | 40,662 |
| Asset retirement obligations | 902 | 848 |
| Accrued pension liability and postretirement benefit cost | 6,979 | 7,888 |
| Other deferred credits | 6,514 | 7,349 |
| Total deferred credits and other liabilities | 272,671 | 274,692 |
| Total liabilities | 754,843 | 715,576 |
| Commitments and Contingencies (See Note 11) | | |
| 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 | 404,166 | 404,166 |
| Retained earnings | 134,124 | 120,435 |
| Total common stockholder’s equity | 538,354 | 524,665 |
| | $1,293,197 | $1,240,241 |

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

Table of Contents

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

| | Common Stock | Paid-in Capital | Retained Earnings | Total Common Stockholder's Equity |
|---|---|---|---|---|
| | (In thousands) | | | |
| Balance at December 31, 2014 | $64 | $404,166 | $120,435 | $524,665 |
| Net earnings | — | — | 33,248 | 33,248 |
| Dividends declared on common stock | — | — | (19,559) | (19,559) |
| Balance at September 30, 2015 | $64 | $404,166 | $134,124 | $538,354 |

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

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 September 30, 2015 and December 31, 2014, the consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2015 and 2014, and the consolidated cash flows for the nine months ended September 30, 2015 and 2014. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. Weather causes the Company’s results of operations to be seasonal in nature and the results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term “Company” when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated. Certain amounts in the 2014 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2015 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 2014 Annual Reports on Form 10-K.

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

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates 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. The agreements for the jointly-owned plants provide that if an owner were to default on its payment obligations, the non-defaulting owners would be responsible for their proportionate share of the obligations of the defaulting owner. In exchange, the non-defaulting owners would be entitled to their proportionate share of the generating capacity of the defaulting owner. There have been no such payment defaults under any of the agreements for the jointly-owned plants.

PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments at cost. Other significant intercompany transactions between PNMR, PNM, and TNMP include interest and income tax sharing payments, as well as equity transactions. All intercompany transactions and balances have been eliminated. See Note 14.

Dividends on Common Stock

Dividends on PNMR's common stock are declared by its Board. The timing of the declaration of dividends is dependent on the timing of meetings and other actions of the Board. This has historically resulted in dividends considered to be attributable to the second quarter of each year being declared through actions of the Board during the third quarter of the year. The Board declared dividends on common stock considered to be for the second quarter of $0.200 per share in July 2015 and $0.185 in July 2014, which are reflected as being in the second quarter within "Dividends Declared per Common Share" on the PNMR Condensed

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)

Consolidated Statements of Earnings. The Board declared dividends on common stock considered to be for the third quarter of $0.200 per share in September 2015 and $0.185 in September 2014, which are reflected as being in the third quarter within “Dividends Declared per Common Share” on the PNMR Condensed Consolidated Statements of Earnings.

PNM declared and paid cash dividends on common stock to PNMR of $46.2 million and $30.3 million in the nine months ended September 30, 2015 and 2014. TNMP declared and paid cash dividends of $19.6 million and $16.3 million in the nine months ended September 30, 2015 and 2014

New Accounting Pronouncements

Information concerning recently issued accounting pronouncements that have not been adopted by the Company is presented below.

Accounting Standards Update 2014-09 – Revenue from Contracts with Customers (Topic 606)

On May 28, 2014, the FASB issued ASU No. 2014-09. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. On August 12, 2015, the FASB issued a one-year deferral in the effective date. The Company must now adopt the new standard beginning on January 1, 2018. Early adoption would be permitted beginning January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method although it is unlikely the Company would elect to early adopt the new standard. The Company is analyzing the impacts this new standard will have on its consolidated financial statements and related disclosures, but has not determined the effect of the standard on its ongoing financial reporting.

Accounting Standards Update 2014-15 – Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

On August 27, 2014, the FASB issued ASU No. 2014-15, which requires management to evaluate whether there is substantial doubt about a company’s ability to continue as a going concern in connection with the preparation of financial statements for each annual and interim reporting period. Disclosure requirements associated with management’s evaluation are also outlined in the new guidance. The new standard is effective for the Company for reporting periods ending after December 15, 2016, with early adoption permitted. The Company is analyzing the impacts of this new standard.

Accounting Standards Update 2015-03 - Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

On April 7, 2015, the FASB issued ASU No. 2015-03, which requires that issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction of the carrying amount of that debt and not as an asset.

The new standard was subsequently amended to not require a reduction of debt liabilities for issuance costs related to line-of-credit arrangements. The ASU is effective for the Company for reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the impacts of the ASU. Currently, unamortized debt issuance costs that would be reclassified are included in other deferred charges on the Condensed Consolidated Balance Sheets and, at September 30, 2015, amounted to $13.9 million for PNMR, $9.7 million for PNM, and $4.0 million for TNMP.

Accounting Standards Update 2015-07 - Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

On May 1, 2015, the FASB issued ASU No. 2015-07, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The new standard is effective for reporting periods beginning after December 31, 2016, with early adoption permitted. Once adopted, the update is required to be applied on a retrospective basis for all periods presented. The Company is in the process of analyzing this new standard; however, it is not expected to have a significant impact on the financial statements other than the disclosure and

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)

presentation of certain investments of the Company's employee benefit plans that are measured using the net asset value practical expedient.

(2) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings per share is presented in the Condensed Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands, except per share amounts) | | | |
| Net Earnings Attributable to PNMR | $ 61,045 | $ 55,653 | $ 107,058 | $ 97,262 |
| Average Number of Common Shares: | | | | |
| Outstanding during period | 79,654 | 79,654 | 79,654 | 79,654 |
| Vested awards of restricted stock | 100 | 112 | 103 | 134 |
| Average Shares – Basic | 79,754 | 79,766 | 79,757 | 79,788 |
| Dilutive Effect of Common Stock Equivalents [1]: | | | | |
| Stock options and restricted stock | 362 | 457 | 377 | 491 |
| Average Shares – Diluted | 80,116 | 80,223 | 80,134 | 80,279 |
| Net Earnings Per Share of Common Stock: | | | | |
| Basic | $ 0.77 | $ 0.70 | $ 1.34 | $ 1.22 |
| Diluted | $ 0.76 | $ 0.69 | $ 1.34 | $ 1.21 |

[1] Excludes the effect of out-of-the-money options for 244,900 shares of common stock at September 30, 2015.

(3) Segment Information

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

PNM
PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also provides generation service to firm-requirements wholesale customers and sells electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity into the wholesale market includes the optimization of PNM's jurisdictional capacity, as well as the capacity from PVNGS Unit 3, which currently is not included in retail rates. FERC has jurisdiction over wholesale 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.

Table of Contents

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

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

PNMR SEGMENT INFORMATION

| | PNM | TNMP | Corporate and Other | Consolidated |
|---|---|---|---|---|
| | (In thousands) | | | |
| Three Months Ended September 30, 2015 | | | | |
| Electric operating revenues | $333,437 | $83,996 | $— | $417,433 |
| Cost of energy | 105,708 | 18,547 | — | 124,255 |
| Margin | 227,729 | 65,449 | — | 293,178 |
| Other operating expenses | 104,977 | 22,766 | (3,573) | 124,170 |
| Depreciation and amortization | 29,042 | 15,016 | 3,445 | 47,503 |
| Operating income | 93,710 | 27,667 | 128 | 121,505 |
| Interest income | 1,152 | — | (1) | 1,151 |
| Other income (deductions) | 5,289 | 672 | (482) | 5,479 |
| Net interest charges | (19,837) | (6,855) | (836) | (27,528) |
| Segment earnings (loss) before income taxes | 80,314 | 21,484 | (1,191) | 100,607 |
| Income taxes | 27,258 | 7,795 | 699 | 35,752 |
| Segment earnings (loss) | 53,056 | 13,689 | (1,890) | 64,855 |
| Valencia non-controlling interest | (3,678) | — | — | (3,678) |
| Subsidiary preferred stock dividends | (132) | — | — | (132) |
| Segment earnings (loss) attributable to PNMR | $49,246 | $13,689 | $(1,890) | $61,045 |
| | | | | |
| Nine Months Ended September 30, 2015 | | | | |
| Electric operating revenues | $870,826 | $232,361 | $— | $1,103,187 |
| Cost of energy | 299,302 | 54,637 | — | 353,939 |
| Margin | 571,524 | 177,724 | — | 749,248 |
| Other operating expenses | 312,534 | 65,332 | (11,118) | 366,748 |
| Depreciation and amortization | 86,446 | 42,065 | 10,502 | 139,013 |
| Operating income | 172,544 | 70,327 | 616 | 243,487 |
| Interest income | 4,869 | — | (27) | 4,842 |
| Other income (deductions) | 18,547 | 2,757 | (2,935) | 18,369 |
| Net interest charges | (59,477) | (20,636) | (6,601) | (86,714) |
| Segment earnings (loss) before income taxes | 136,483 | 52,448 | (8,947) | 179,984 |
| Income taxes (benefit) | 44,560 | 19,200 | (2,139) | 61,621 |
| Segment earnings (loss) | 91,923 | 33,248 | (6,808) | 118,363 |
| Valencia non-controlling interest | (10,909) | — | — | (10,909) |
| Subsidiary preferred stock dividends | (396) | — | — | (396) |
| Segment earnings (loss) attributable to PNMR | $80,618 | $33,248 | $(6,808) | $107,058 |

| | | | | |
|---|---|---|---|---|
| At September 30, 2015: | | | | |
| Total Assets | $4,637,553 | $1,293,197 | $122,102 | $6,052,852 |
| Goodwill | $51,632 | $226,665 | $— | $278,297 |

Table of Contents

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

| | PNM | TNMP | Corporate and Other | Consolidated |
|---|---|---|---|---|
| | (In thousands) | | | |
| Three Months Ended September 30, 2014 | | | | |
| Electric operating revenues | $334,993 | $78,958 | $— | $413,951 |
| Cost of energy | 115,097 | 17,402 | — | 132,499 |
| Margin | 219,896 | 61,556 | — | 281,452 |
| Other operating expenses | 101,757 | 22,251 | (3,650) | 120,358 |
| Depreciation and amortization | 27,524 | 13,432 | 3,339 | 44,295 |
| Operating income | 90,615 | 25,873 | 311 | 116,799 |
| Interest income | 2,102 | — | (18) | 2,084 |
| Other income (deductions) | 1,569 | 793 | (589) | 1,773 |
| Net interest charges | (20,092) | (6,870) | (3,153) | (30,115) |
| Segment earnings (loss) before income taxes | 74,194 | 19,796 | (3,449) | 90,541 |
| Income taxes (benefit) | 25,142 | 7,441 | (1,528) | 31,055 |
| Segment earnings (loss) | 49,052 | 12,355 | (1,921) | 59,486 |
| Valencia non-controlling interest | (3,701) | — | — | (3,701) |
| Subsidiary preferred stock dividends | (132) | — | — | (132) |
| Segment earnings (loss) attributable to PNMR | $45,219 | $12,355 | $(1,921) | $55,653 |
| | | | | |
| Nine Months Ended September 30, 2014 | | | | |
| Electric operating revenues | $873,434 | $215,574 | $— | $1,089,008 |
| Cost of energy | 304,365 | 50,167 | — | 354,532 |
| Margin | 569,069 | 165,407 | — | 734,476 |
| Other operating expenses | 315,714 | 63,732 | (10,243) | 369,203 |
| Depreciation and amortization | 81,629 | 37,276 | 9,519 | 128,424 |
| Operating income | 171,726 | 64,399 | 724 | 236,849 |
| Interest income | 6,295 | — | (54) | 6,241 |
| Other income (deductions) | 8,749 | 1,495 | (1,547) | 8,697 |
| Net interest charges | (59,927) | (20,122) | (9,572) | (89,621) |
| Segment earnings (loss) before income taxes | 126,843 | 45,772 | (10,449) | 162,166 |
| Income taxes (benefit) | 42,331 | 17,081 | (6,044) | 53,368 |
| Segment earnings (loss) | 84,512 | 28,691 | (4,405) | 108,798 |
| Valencia non-controlling interest | (11,140) | — | — | (11,140) |
| Subsidiary preferred stock dividends | (396) | — | — | (396) |
| Segment earnings (loss) attributable to PNMR | $72,976 | $28,691 | $(4,405) | $97,262 |
| | | | | |
| At September 30, 2014: | | | | |
| Total Assets | $4,358,474 | $1,216,545 | $134,190 | $5,709,209 |
| Goodwill | $51,632 | $226,665 | $— | $278,297 |

(4) Accumulated Other Comprehensive Income (Loss)

Information regarding accumulated other comprehensive income (loss) for the nine months ended September 30, 2015 and 2014 is as follows:

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)

| | Accumulated Other Comprehensive Income (Loss) | | | | | |
|---|---|---|---|---|---|---|
| | PNM | | | TNMP | PNMR | |
| | Unrealized Gain on Available-for-Sale Securities | Pension Liability Adjustment | Total | Fair Value Adjustment for Cash Flow Hedges | Fair Value Adjustment for Cash Flow Hedges | Total |
| | (In thousands) | | | | | |
| Balance at December 31, 2014 | $28,008 | $(89,763) | $(61,755) | $— | $— | $(61,755) |
| Amounts reclassified from AOCI (pre-tax) | (22,552) | 4,464 | (18,088) | — | — | (18,088) |
| Income tax impact of amounts reclassified | 8,838 | (1,749) | 7,089 | — | — | 7,089 |
| Other OCI changes (pre-tax) | 3,095 | — | 3,095 | — | (704) | 2,391 |
| Income tax impact of other OCI changes | (1,213) | — | (1,213) | — | 276 | (937) |
| Net change after income taxes | (11,832) | 2,715 | (9,117) | — | (428) | (9,545) |
| Balance at September 30, 2015 | $16,176 | $(87,048) | $(70,872) | $— | $(428) | $(71,300) |
| Balance at December 31, 2013 | $25,748 | $(83,625) | $(57,877) | $(263) | $— | $(58,140) |
| Amounts reclassified from AOCI (pre-tax) | (11,544) | 3,864 | (7,680) | 167 | — | (7,513) |
| Income tax impact of amounts reclassified | 4,547 | (1,524) | 3,023 | (58) | — | 2,965 |
| Other OCI changes (pre-tax) | 10,202 | — | 10,202 | (153) | — | 10,049 |
| Income tax impact of other OCI changes | (3,946) | — | (3,946) | 53 | — | (3,893) |
| Net change after income taxes | (741) | 2,340 | 1,599 | 9 | — | 1,608 |
| Balance at September 30, 2014 | $25,007 | $(81,285) | $(56,278) | $(254) | $— | $(56,532) |

Pre-tax amounts reclassified from AOCI related to “Unrealized Gain on Available-for-Sale Securities” are included in “Gains on available-for-sale securities” in the Condensed Consolidated Statements of Earnings. Pre-tax amounts reclassified from AOCI related to “Pension Liability Adjustment” are reclassified to “Operating Expenses – Administrative and general” in the Condensed Consolidated Statements of Earnings. For the nine months ended September 30, 2015 and 2014, 22.4% and 23.6% of the pension amounts reclassified were capitalized into construction work in process and 2.5% and 1.7% was capitalized into other accounts. Pre-tax amounts reclassified from AOCI related to “Fair Value Adjustment for Cash Flow Hedges” are reclassified to “Interest Charges” in the Condensed Consolidated Statements of Earnings. An insignificant amount was capitalized as AFUDC. The income tax impacts of all amounts reclassified from AOCI are included in “Income Taxes” in the Condensed Consolidated Statements of Earnings.

(5) Variable Interest Entities

GAAP determines how an enterprise evaluates and accounts for its involvement with variable interest entities, 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 2014 Annual Reports on Form 10-K.

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)

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 158 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 operation and maintenance charges under this PPA. For the three and nine months ended September 30, 2015, PNM paid $4.9 million and $14.5 million for fixed charges and $0.3 million and $0.9 million for variable charges. For the three and nine months ended September 30, 2014, PNM paid $4.8 million and $14.4 million for fixed charges and $0.3 million and $1.0 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 since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. 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.

Summarized financial information for Valencia is as follows:

Results of Operations

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Operating revenues | $5,182 | $5,061 | $15,337 | $15,300 |
| Operating expenses | (1,504) | (1,360) | (4,428) | (4,160) |
| Earnings attributable to non-controlling interest | $3,678 | $3,701 | $10,909 | $11,140 |

Financial Position

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| Current assets | $3,410 | $2,513 |
| Net property, plant, and equipment | 70,471 | 72,321 |
| Total assets | 73,881 | 74,834 |
| Current liabilities | 1,533 | 1,288 |
| Owners' equity – non-controlling interest | $72,348 | $73,546 |

During the term of the PPA, PNM has the option to purchase and own up to 50% of the plant or the variable interest entity. The PPA specifies that the purchase price would be the greater of (i) 50% of book value reduced by related indebtedness or (ii) 50% of fair market value. On October 8, 2013, PNM notified the owner of Valencia that PNM may exercise the option to purchase 50% of the plant. As provided in the PPA, an appraisal process was initiated since the parties failed to reach agreement on fair market value within 60 days. Under the PPA, results of the appraisal process established the purchase price after which PNM was to determine in its sole discretion whether or not to exercise its option to purchase the 50% interest. The PPA also provides that the purchase price may be adjusted to reflect the period between the determination of the purchase price and the closing. The appraisal process determined the purchase price as of October 8, 2013 to be $85.0 million, prior to any adjustment to reflect the period through the closing date. Approval of the NMPRC and FERC would be required, which could take up to 15 months. On May 30, 2014, after evaluating its alternatives with respect to Valencia, PNM notified the owner of Valencia that PNM intended to purchase 50% of the plant, subject to certain conditions. PNM's conditions include: agreeing on the purchase price, adjusted to reflect the period between October 8, 2013 and the closing; approval of the NMPRC, including specified ratemaking treatment, and FERC; approval of the Board and PNM's board of directors; receipt of other necessary approvals and consents; and other customary closing conditions. PNM received a letter dated June 30, 2014 from the owner of Valencia suggesting that the conditions set forth in PNM's notification raise issues under the PPA. The owner of Valencia subsequently submitted a counter-proposal to PNM in April 2015. PNM is evaluating available options. PNM cannot predict if it will reach agreement with the owner of Valencia, if required regulatory and other approvals will be received, or if the purchase will be completed.

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. The leases provided PNM with an option to purchase the leased assets at appraised value at the end of the leases. PNM does not have a fixed price purchase option and does not provide residual value guarantees. The leases also provided PNM with options to renew the leases at fixed rates set forth in the leases for two years beyond the termination of the original lease terms. The option periods on certain leases could be further extended for up to an additional six years if the appraised remaining useful lives and fair value of the leased assets were greater than parameters set forth in the leases. See Note 7 of the Notes to Consolidated Financial Statements in the 2014 Annual Reports on Form 10-K and Note 6 for additional information regarding the leases and actions PNM has taken with respect to its renewal and purchase options. Under GAAP, these renewal options are considered to be variable interests in the trusts and result in the trusts being considered variable interest entities.

PNM is only obligated to make payments to the trusts for the scheduled semi-annual lease payments. As of September 30, 2015, these payments, which, net of amounts that will be returned to PNM through its ownership in related lessor notes and the Unit 2 beneficial trust, aggregate $140.1 million, including the renewal terms of the leases that PNM has elected to renew. 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 September 30, 2015, PNM could have been required to pay the beneficial owners up to $205.8 million on January 15, 2016 in addition to the regularly scheduled lease payments. In such event, PNM would record the acquired assets at the lower of their fair value or the aggregate of the amount paid and PNM's carrying value of its investment in PVNGS lessor notes. Other than as discussed in Note 6, 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. PNM has no assets or liabilities recorded on its Condensed Consolidated Balance Sheets related to the trusts other than accrued lease payments of $8.4 million at September 30, 2015 and $26.0 million at December 31, 2014, which are included in other current liabilities on the Condensed Consolidated Balance Sheets.

PNM has evaluated the PVNGS lease arrangements, including actions taken with respect to renewal and purchase options, 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.

Rio Bravo, formerly known as Delta

PNM had a 20-year PPA expiring in 2020 covering the entire output of Delta, which was a variable interest under GAAP. PNM controlled the dispatch of the generating plant, which impacted the variable payments made under the PPA and impacted the economic performance of the entity that owned Delta. This arrangement was entered into prior to December 31, 2003 and PNM was unsuccessful in obtaining the information necessary to determine if it was the primary beneficiary of the entity that owned Delta, or to consolidate that entity if it were determined that PNM was 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 owned Delta. PNM closed on the purchase on July 17, 2014 and recorded the purchase as of that date. PNM changed the name of the facility to Rio Bravo.

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 made fixed and variable payments to Delta under the PPA. For the periods from July 1, 2014 through July 17, 2014 and January 1, 2014 through July 17, 2014, PNM incurred fixed capacity charges of $0.3 million and $3.5 million and variable energy charges of $0.1 million and $0.6 million. PNM recovered the variable energy charges through its FPPAC.

PNM began including the assets, liabilities, and operations of Rio Bravo at the date of the acquisition. Prior to the acquisition, consolidation of Delta would have been immaterial to PNMR and PNM. Since all of Delta's revenues and expenses were 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 have been 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.

(6) Lease Commitments

The Company leases office buildings, vehicles, and other equipment under operating leases. In addition, PNM leases interests in Units 1 and 2 of PVNGS and leased an interest in the EIP transmission line through April 1, 2015. All of the Company's leases are accounted for as operating leases. Additional information concerning the Company's lease commitments is contained in Note 7 of the Notes to Consolidated Financial Statements in the 2014 Annual Reports on Form 10-K, including information regarding renewal and purchase options, and actions taken by PNM under the PVNGS leases.

The PVNGS leases were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the four Unit 2 leases. The four Unit 1 leases have been extended to expire on January 15, 2023 and one of the Unit 2 leases has been extended to expire on January 15, 2024. For the other three PVNGS Unit 2 leases, PNM elected to purchase the assets underlying those leases on the expiration date of the original leases and has entered into agreements with the lessors that establish the purchase prices, representing the fair market value, to be paid on January 15, 2016 by PNM for the assets underlying the leases. The leases remain in existence and PNM will record the purchases at the termination of the leases on January 15, 2016.

PNM will pay $78.1 million for the assets underlying one of the Unit 2 leases, which is for 31.25 MW of the entitlement from PVNGS Unit 2. On September 18, 2015, PNM entered into a definitive agreement to implement the purchase by PNM of the generating capacity under this lease on January 15, 2016, at which time the purchase price will be paid by PNM and the transfer of the leased interests will take place. PNM will pay $85.2 million for the assets underlying the other two Unit 2 leases, which are for 32.76 MW of the entitlement from PVNGS Unit 2. PNMR Development is also a party to the agreement regarding these two leases, which constitutes a letter of intent providing PNMR Development with the option, subject to approval by the Board and negotiation of definitive documents, to acquire the entities that own the leased assets at any time from June 1, 2014 through January 14, 2016. PNMR does not anticipate that PNMR Development will exercise the early purchase option.

At March 31, 2015, PNM owned 60% of the EIP and leased the other 40%, under a lease that expired on April 1, 2015. Following procedures set forth in the lease, PNM and the lessor entered into a definitive agreement for PNM to exercise its option to purchase on April 1, 2015 the leased capacity at fair market value, which the parties agreed would be $7.7 million. PNM closed on the purchase on April 1, 2015 and recorded the purchase of the assets underlying the lease at that date.

(7) 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. 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 2014 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. During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Company was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flows 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.

Commodity Derivatives

Commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges, are summarized as follows:

| | Economic Hedges | |
|---|---|---|
| | September 30, 2015 | December 31, 2014 |
| PNMR and PNM | (In thousands) | |

| | | |
|---|---|---|
| Current assets | $ 6,144 | $ 11,232 |
| Deferred charges | 3,369 | — |
| | 9,513 | 11,232 |
| | | |
| Current liabilities | (984 ) | (1,209 ) |
| Long-term liabilities | — | (477 ) |
| | (984 ) | (1,686 ) |
| Net | $ 8,529 | $ 9,546 |

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)

Included in the above table are $2.2 million of current assets and $3.4 million in deferred charges at September 30, 2015 and $3.0 million of current assets at December 31, 2014 related to contracts for the sale of energy from PVNGS Unit 3 through 2017 at market price plus a premium. Certain of PNM's commodity derivative instruments 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 September 30, 2015 and December 31, 2014.

At September 30, 2015 and December 31, 2014, PNMR and PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at September 30, 2015 and December 31, 2014, amounts posted as cash collateral under margin arrangements were $1.2 million and $3.8 million for both PNMR and PNM. At September 30, 2015 and December 31, 2014, obligations to return cash collateral were $0.1 million and $0.2 million, for both PNMR and PNM. Cash collateral amounts are included in other current assets and other current liabilities 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 $0.3 million of current assets and less than $0.1 million of current liabilities at September 30, 2015 related to this plan. The offsets to these amounts are recorded as regulatory assets and liabilities on the Condensed Consolidated Balance Sheets. At December 31, 2014, there were no hedges in place under this plan.

The following table presents the effect of mark-to-market 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 September 30, | | Nine Months Ended September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| PNMR and PNM | (In thousands) | | | |
| Electric operating revenues | $6,823 | $2,352 | $7,354 | $(2,124) |
| Cost of energy | (78) | (60) | (227) | 186 |
| Total gain (loss) | $6,745 | $2,292 | $7,127 | $(1,938) |

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 |
| PNMR and PNM | | |
| September 30, 2015 | 1,227,498 | (2,942,281) |
| December 31, 2014 | 650,000 | (1,919,000) |

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

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

the existing contracts and does not reflect letters of credit under PNM'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 normal 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 | Existing Cash Collateral | Net Exposure |
|---|---|---|---|
| | (In thousands) | | |
| PNMR and PNM | | | |
| September 30, 2015 | $967 | $— | $207 |
| December 31, 2014 | $1,686 | $— | $167 |

Sale of Power from PVNGS Unit 3

Because PNM's 134 MW share of Unit 3 at PVNGS is not currently included in retail rates, that unit's power is being sold in the wholesale market. As of September 30, 2015, PNM had contracted to sell 100% of PVNGS Unit 3 output through 2017, at market price plus a premium. Through hedging arrangements that are accounted for as economic hedges, PNM has established fixed rates, which average approximately $37 per MWh, for substantially all of the sales through 2015. There are currently no hedging arrangements in place for the 2016 and 2017 sales.

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. 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 costs related to the coal mines serving SJGS (Note 11). At September 30, 2015 and December 31, 2014, the fair value of available-for-sale securities included $237.3 million and $244.6 million for the NDT and $5.5 million and $5.5 million for the mine reclamation trust. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table.

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Unrealized Gains | Fair Value | Unrealized Gains | Fair Value |
| PNMR and PNM | | (In thousands) | | |
| Cash and cash equivalents | $— | $28,813 | $— | $8,276 |
| Equity securities: | | | | |
| Domestic value | 11,880 | 42,769 | 17,418 | 45,340 |
| Domestic growth | 10,124 | 58,424 | 21,354 | 74,053 |
| International and other | 1 | 1,681 | 156 | 16,599 |
| Fixed income securities: | | | | |
| U.S. Government | 598 | 25,544 | 903 | 22,563 |
| Municipals | 3,499 | 61,106 | 5,851 | 68,973 |
| Corporate and other | 618 | 24,458 | 666 | 14,341 |

| | | | |
|---|---|---|---|
| $26,720 | $242,795 | $46,348 | $250,145 |

38

Table of Contents

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

The 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. Gross realized losses shown below exclude the change in realized impairment losses of $(2.4) million and $(3.2) million for the three and nine months ended September 30, 2015 and $(1.2) million and $(0.7) million for the three and nine months ended September 30, 2014.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Proceeds from sales | $71,576 | $29,103 | $166,097 | $82,222 |
| Gross realized gains | $8,998 | $3,134 | $22,463 | $11,616 |
| Gross realized (losses) | $(4,014) | $(936) | $(7,133) | $(2,731) |

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments.

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no securities impairments considered to be “other than temporary” included in AOCI. All such impairments have been recognized in earnings.

At September 30, 2015, the available-for-sale and held-to-maturity debt securities had the following final maturities:

| | Fair Value | | |
|---|---|---|---|
| | Available-for-Sale | Held-to-Maturity | |
| | PNMR and PNM | PNMR | PNM |
| | (In thousands) | | |
| Within 1 year | $4,558 | $8,947 | $8,947 |
| After 1 year through 5 years | 21,516 | 652 | — |
| After 5 years through 10 years | 23,048 | — | — |
| After 10 years through 15 years | 11,105 | — | — |
| After 15 years through 20 years | 10,593 | — | — |
| After 20 years | 40,288 | — | — |
| | $111,108 | $9,599 | $8,947 |

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models. The Company records any transfers between fair value hierarchy levels as of the end of each calendar quarter. There were no transfers between levels during the nine months ended September 30, 2015 and the year ended December 31, 2014.

For available-for-sale securities, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For the Company’s long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. For investments categorized as Level 3, primarily the PVNGS lessor notes and certain items in other investments, fair values were determined by discounted cash flow models that take into consideration discount rates that are observable for similar types of assets and liabilities. Management of the Company independently verifies the information provided by pricing services.

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)

Items recorded at fair value on the Condensed Consolidated Balance Sheets are presented below by level of the fair value hierarchy. There were no Level 3 fair value measurements at September 30, 2015 and December 31, 2014 for items recorded at fair value.

| | | GAAP Fair Value Hierarchy | |
|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| September 30, 2015 | (In thousands) | | |
| PNMR and PNM | | | |
| Available-for-sale securities | | | |
| Cash and cash equivalents | $28,813 | $28,813 | $— |
| Equity securities: | | | |
| Domestic value | 42,769 | 42,769 | — |
| Domestic growth | 58,424 | 58,424 | — |
| International and other | 1,681 | 1,681 | — |
| Fixed income securities: | | | |
| U.S. Government | 25,544 | 24,254 | 1,290 |
| Municipals | 61,106 | — | 61,106 |
| Corporate and other | 24,458 | 4,169 | 20,289 |
| | $242,795 | $160,110 | $82,685 |
| Commodity derivative assets | $9,513 | $— | $9,513 |
| Commodity derivative liabilities | (984) | — | (984) |
| Net | $8,529 | $— | $8,529 |
| December 31, 2014 | | | |
| PNMR and PNM | | | |
| Available-for-sale securities | | | |
| Cash and cash equivalents | $8,276 | $8,276 | $— |
| Equity securities: | | | |
| Domestic value | 45,340 | 45,340 | — |
| Domestic growth | 74,053 | 74,053 | — |
| International and other | 16,599 | 16,599 | — |
| Fixed income securities: | | | |
| U.S. Government | 22,563 | 20,808 | 1,755 |
| Municipals | 68,973 | — | 68,973 |
| Corporate and other | 14,341 | 4,843 | 9,498 |
| | $250,145 | $169,919 | $80,226 |
| Commodity derivative assets | $11,232 | $— | $11,232 |

| | | | |
|---|---|---|---|
| Commodity derivative liabilities | (1,686) | — | (1,686) |
| Net | $9,546 | $— | $9,546 |

Table of Contents

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

The carrying amounts and fair values of investments in PVNGS lessor notes, other investments, and long-term debt, which are not recorded at fair value on the Condensed Consolidated Balance Sheets are presented below:

| | | | GAAP Fair Value Hierarchy | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| September 30, 2015 | (In thousands) | | | | |
| PNMR | | | | | |
| Long-term debt | $2,105,381 | $2,297,887 | $— | $2,297,887 | $— |
| Investment in PVNGS lessor notes | $8,824 | $8,947 | $— | $— | $8,947 |
| Other investments | $490 | $1,142 | $490 | $— | $652 |
| PNM | | | | | |
| Long-term debt | $1,589,991 | $1,719,947 | $— | $1,719,947 | $— |
| Investment in PVNGS lessor notes | $8,824 | $8,947 | $— | $— | $8,947 |
| Other investments | $252 | $252 | $252 | $— | $— |
| TNMP | | | | | |
| Long-term debt | $365,390 | $427,940 | $— | $427,940 | $— |
| Other investments | $238 | $238 | $238 | $— | $— |
| | | | | | |
| December 31, 2014 | | | | | |
| PNMR | | | | | |
| Long-term debt | $1,975,090 | $2,173,117 | $— | $2,173,117 | $— |
| Investment in PVNGS lessor notes | $31,232 | $32,836 | $— | $— | $32,836 |
| Other investments | $1,762 | $2,375 | $639 | $— | $1,736 |
| PNM | | | | | |
| Long-term debt | $1,490,657 | $1,624,222 | $— | $1,624,222 | $— |
| Investment in PVNGS lessor notes | $31,232 | $32,836 | $— | $— | $32,836 |
| Other investments | $397 | $397 | $397 | $— | $— |
| TNMP | | | | | |
| Long-term debt | $365,667 | $427,356 | $— | $427,356 | $— |
| Other investments | $242 | $242 | $242 | $— | $— |

(8) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan (“PEP”). Although certain PNM and TNMP employees participate in the PNMR plans, PNM and TNMP do not have separate employee stock-based compensation plans. In 2011, the Company changed its approach to awarding stock-based compensation. As a result, no stock options have been granted since 2010 and awards of restricted stock have increased. Certain restricted stock awards are subject to achieving performance or market targets. Other awards of restricted stock are only subject to time vesting requirements. Additional information concerning stock-based compensation under the PEP is contained in Note 13 of the Notes to Consolidated Financial Statements in the 2014 Annual Reports on Form 10-K.

Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, certain awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in certain stock awards.

The stock-based compensation expense related to restricted stock awards without performance or market conditions is amortized to compensation expense over the requisite vesting period, which is generally three years. However, compensation expense for awards to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for performance-based shares is recognized ratably over the performance period and is

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)

adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements. At September 30, 2015 and December 31, 2014, PNMR had unrecognized expense related to stock awards of $6.8 million and $6.5 million.

The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest at the end of the measurement period. The grant date fair value for other restricted stock awards is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends, which will not be received prior to vesting, applied to the total number of shares that are anticipated to vest, although the number of performance shares that ultimately vest cannot be determined until after the performance periods end.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

| | Nine Months Ended September 30, | |
|---|---|---|
| Restricted Shares and Performance Based Shares | 2015 | 2014 |
| Expected quarterly dividends per share | $0.200 | $0.185 |
| Risk-free interest rate | 0.92 % | 0.62 % |
| | | |
| Market-Based Shares | | |
| Dividend yield | 2.87 % | 2.82 % |
| Expected volatility | 18.73 % | 25.11 % |
| Risk-free interest rate | 1.00 % | 0.64 % |

The following table summarizes activity in stock options and restricted stock awards, including performance-based and market-based shares, for the nine months ended September 30, 2015:

| | Restricted Stock | | Stock Options | |
|---|---|---|---|---|
| | Shares | Weighted-Average Grant Date Fair Value | Shares | Weighted-Average Exercise Price |
| Outstanding at December 31, 2014 | 258,770 | $22.31 | 920,505 | $20.39 |
| Granted | 340,020 | $20.34 | — | $— |
| Exercised | (349,468) | $18.61 | (215,945) | $19.98 |
| Forfeited | (4,061) | $24.81 | (1,000) | $30.50 |
| Expired | — | $— | (66,201) | $27.90 |
| Outstanding at September 30, 2015 | 245,261 | $24.81 | 637,359 | $19.54 |

PNMR’s stock-based compensation program provides for performance and market targets through 2017. Included as granted and exercised in the above table are 179,845 previously awarded shares that were earned for the 2012 through 2014 performance measurement period and approved by the Board in February 2015 (based upon achieving market targets at “target” levels, weighted at 60%, and performance targets at “maximum” levels, weighted at 40%). Excluded from the above table, are maximums of 180,970, 165,628, and 168,258 shares for the three-year performance periods ending in 2015, 2016, and 2017 that would be awarded if all performance and market criteria are achieved at maximum levels and all executives remain eligible.

In March 2012, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 135,000 shares of PNMR's common stock if PNMR meets specific market targets at the end of 2016 and she remains an employee of the Company. Under the agreement, she would receive 35,000 of the total shares if

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)

PNMR achieved specific market targets at the end of 2014. The specified market target was achieved at the end of 2014 and the Board approved her receiving the 35,000 shares in February 2015, which shares are included as granted and exercised in the above table. The retention award was made under the PEP and was approved by the Board on February 28, 2012. The above table does not include the restricted stock shares that remain unvested under this retention award agreement.

Effective as of January 1, 2015, the Company entered into a retention award agreement with its Executive Vice President and Chief Financial Officer under which he would receive awards of restricted stock if PNMR meets specific performance targets at the end of 2016 and 2017 and he remains an employee of the Company. If PNMR achieves the specific performance target for the period from January 1, 2015 through December 31, 2016, he would receive $100,000 of PNMR common stock based on the market value per share on the grant date, which would be in early 2017. Similarly, if PNMR achieves the specific performance target for the period from January 1, 2015 through December 31, 2017, he would receive $275,000 of PNMR common stock based on the market value per share on the grant date, which would be in early 2018. If the target for the first performance period is not met, but the target for the second performance period is met, he would receive both awards, less any amount received previously under the agreement. The retention award was made under the PEP and was approved by the Board on December 9, 2014. The above table does not include any restricted stock shares under this retention award agreement.

In March 2015, the Company entered into a retention award agreement with its Chairman, President, and Chief Executive Officer under which she would receive 53,859 shares of PNMR's common stock if PNMR meets certain performance targets at the end of 2019 and she remains an employee of the Company. Under the agreement, she would receive 17,953 of the total shares if PNMR achieves specific performance targets at the end of 2017. The retention award was made under the PEP and was approved by the Board on February 26, 2015. The above table does not include any restricted stock shares under this retention award agreement.
At September 30, 2015, the aggregate intrinsic value of stock options outstanding, all of which are exercisable, was $6.0 million with a weighted-average remaining contract life of 2.38 years. At September 30, 2015, the exercise price of 244,900 outstanding stock options is greater than the closing price of PNMR common stock on that date; therefore, those options have no intrinsic value.

The following table provides additional information concerning stock options and restricted stock activity, including performance-based and market-based shares:

| | Nine Months Ended September 30, | |
|---|---|---|
| Restricted Stock | 2015 | 2014 |
| Weighted-average grant date fair value | $ 20.34 | $ 21.27 |
| Total fair value of restricted shares that vested (in thousands) | $ 6,503 | $ 4,929 |
| | | |
| Stock Options | | |
| Weighted-average grant date fair value of options granted | $ — | $ — |
| Total fair value of options that vested (in thousands) | $ — | $ — |
| Total intrinsic value of options exercised (in thousands) | $ 1,814 | $ 2,199 |

(9) Financing

Additional information concerning financing activities, including a TNMP cash-flow hedge, which terminated on June 27, 2014, that established a fixed interest rate on a variable rate loan, is contained in Note 6 of the Notes to Consolidated Financial Statements in the 2014 Annual Reports on Form 10-K.

Financing Activities

44

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)

On March 5, 2014, PNM entered into a $175.0 million Term Loan Agreement (the “PNM 2014 Term Loan Agreement”) among PNM and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Lender and Administrative Agent. On March 5, 2014, PNM used a portion of the funds borrowed under the PNM 2014 Term Loan Agreement to repay all amounts outstanding under PNM’s existing $75.0 million PNM 2013 Term Loan Agreement and other short-term amounts outstanding. The PNM 2014 Term Loan Agreement was repaid on August 12, 2015.

On December 22, 2014, PNM entered into a multi-draw term loan facility (the “PNM Multi-draw Term Loan”) with JPMorgan Chase Bank, N.A., as Lender and Administrative Agent. The $125.0 million facility has a maturity date of June 21, 2016. At December 31, 2014, outstanding borrowings under the PNM Multi-draw Term Loan were $100.0 million. PNM drew the remaining capacity of $25.0 million on May 8, 2015 resulting in outstanding borrowings at September 30, 2015 of $125.0 million, which are included in current maturities of long-term debt on the Condensed Consolidated Balance Sheet. The PNM Multi-draw Term Loan bears interest at a variable rate, which was 0.78% at September 30, 2015. The PNM Multi-draw Term Loan includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-consolidated capitalization ratio and customary events of default. The PNM Multi-draw Term Loan Agreement has a cross default provision and a change of control provision.

On March 9, 2015, PNMR entered into a $150.0 million Term Loan Agreement (“PNMR 2015 Term Loan Agreement”) between PNMR, the lenders identified therein, and Wells Fargo Bank, National Association, as Lender and Administrative Agent. The PNMR 2015 Term Loan Agreement bears interest at a variable rate, which was 1.21% at September 30, 2015, and must be repaid on or before March 9, 2018. The PNMR 2015 Term Loan Agreement includes customary covenants, including requirements to not exceed a maximum consolidated debt-to-capital ratio and customary events of default. The PNMR 2015 Term Loan Agreement has a cross default provision and a change of control provision.

At December 31, 2014, PNMR had an aggregate outstanding principal amount of $118.8 million of its 9.25% Senior Unsecured Notes, Series A, which were due on May 15, 2015. PNMR repaid all of the 9.25% Senior Unsecured Notes, Series A at the scheduled maturity, utilizing proceeds from the PNMR 2015 Term Loan Agreement and borrowings under the PNMR Revolving Credit Facility.

At December 31, 2014, PNM had a $39.3 million series of outstanding Senior Unsecured Notes, Pollution Control Revenue Bonds, which have a final maturity of June 1, 2043. These PCRBs were subject to mandatory tender for remarketing on June 1, 2015 and were successfully remarketed on that date. The notes now bear interest at 2.40%, continue to have an outstanding amount of $39.3 million, and are subject to mandatory tender for remarketing on June 1, 2020.

On August 11, 2015, PNM issued $250.0 million aggregate principal amount of its 3.850% Senior Unsecured Notes due 2025. The notes will mature on August 1, 2025. Portions of the proceeds from the offering were used to repay the existing $175.0 million PNM 2014 Term Loan Agreement and to repay outstanding borrowings under the PNM Revolving Credit Facility, the PNM New Mexico Credit Facility, and PNM’s intercompany loan from PNMR.

In September 2015, PNMR entered into a hedging agreement whereby it effectively established a fixed interest rate of 2.027% for borrowings under the PNMR 2015 Term Loan Agreement discussed above for the period from January 11, 2016 through March 9, 2018. This hedge is accounted for as a cash-flow hedge and had a fair value loss of $0.7 million at September 30, 2015, using Level 2 inputs under GAAP determined using forward LIBOR curves under the mid-market convention to discount cash flows over the remaining term of the swap agreements.

Short-term Debt

The PNMR Revolving Credit Facility has a financing capacity of $300.0 million and the PNM Revolving Credit Facility has a financing capacity of $400.0 million. In October 2015, the maturity date for both of these facilities was extended and they now mature on October 31, 2020. The TNMP Revolving Credit Facility is a $75.0 million revolving credit facility secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds. The TNMP Revolving Credit Facility matures on September 18, 2018. PNM also has the $50.0 million PNM New Mexico Credit Facility that expires on January 8, 2018. At September 30, 2015, TNMP had $48.5 million in borrowings from PNMR under an intercompany loan agreement. At September 30, 2015, the weighted average interest rate was 1.69% for the PNMR Revolving Credit Facility and 1.05% for borrowings outstanding

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)

under the twelve-month PNMR Term Loan Agreement, which matures in December 2015. Short-term debt outstanding consisted of:

| Short-term Debt | September 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| PNM: | | |
| Revolving credit facility | $ — | $ — |
| PNM New Mexico Credit Facility | — | — |
| TNMP – Revolving credit facility | — | 5,000 |
| PNMR: | | |
| Revolving credit facility | 2,600 | 600 |
| PNMR Term Loan Agreement | 100,000 | 100,000 |
| | $ 102,600 | $ 105,600 |

At October 23, 2015, PNMR, PNM, and TNMP had $293.8 million, $396.8 million, and $54.9 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit, and PNM had $50.0 million of availability under the PNM New Mexico Credit Facility. Total availability at October 23, 2015, on a consolidated basis, was $795.5 million for PNMR. As of October 23, 2015, TNMP had $36.8 million in borrowings from PNMR under an intercompany loan agreement. At October 23, 2015, PNMR, PNM and TNMP had consolidated invested cash of $11.0 million, $34.1 million, and none.

## (10) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs (collectively, the “PNM Plans” and “TNMP Plans”). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Additional information concerning pension and OPEB plans is contained in Note 12 of the Notes to Consolidated Financial Statements in the 2014 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year.

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 Plans

The following tables present the components of the PNM Plans' net periodic benefit cost:

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Plan | | OPEB Plan | | Executive Retirement Program | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | | | |
| Components of Net Periodic Benefit Cost | | | | | | |
| Service cost | $— | $— | $51 | $45 | $— | $— |
| Interest cost | 7,064 | 7,541 | 1,022 | 1,159 | 190 | 205 |
| Expected return on plan assets | (9,831) | (9,511) | (1,403) | (1,410) | — | — |
| Amortization of net (gain) loss | 3,705 | 3,255 | 491 | 556 | 81 | 52 |
| Amortization of prior service cost | (241) | (241) | (160) | (336) | — | — |
| Net periodic benefit cost | $697 | $1,044 | $1 | $14 | $271 | $257 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Plan | | OPEB Plan | | Executive Retirement Program | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | | | |
| Components of Net Periodic Benefit Cost | | | | | | |
| Service cost | $— | $— | $153 | $136 | $— | $— |
| Interest cost | 21,191 | 22,622 | 3,067 | 3,473 | 570 | 616 |
| Expected return on plan assets | (29,492) | (28,533) | (4,208) | (4,229) | — | — |
| Amortization of net (gain) loss | 11,115 | 9,765 | 1,474 | 1,669 | 243 | 157 |
| Amortization of prior service cost | (724) | (724) | (481) | (1,008) | — | — |
| Net periodic benefit cost | $2,090 | $3,130 | $5 | $41 | $813 | $773 |

PNM made contributions to its pension plan trust of zero and $30.0 million in the three and nine months ended September 30, 2015 and made no contributions in the three and nine months ended September 30, 2014. PNM does not anticipate making additional contributions to its pension trust in 2015. Based on current law, including recent amendments to funding requirements, and estimates of portfolio performance, contributions to the PNM pension plan trust for 2016-2019 are estimated to total $22.0 million. These anticipated contributions were developed using current funding assumptions, with discount rates of 4.8% to 5.5%. Actual amounts required to be funded in the future will depend on the actuarial assumptions at that time, including the appropriate discount rate. PNM may make additional contributions at its discretion. PNM made contributions to the OPEB trust of $0.8 million and $2.4 million in the three and nine months ended September 30, 2015 and $0.8 million and $2.4 million in the three and nine months ended September 30, 2014. PNM expects to make contributions to the OPEB trust totaling $3.5 million in 2015 and $14.0 million for 2016-2019. Disbursements under the executive retirement program, which are funded by PNM and considered to be contributions to the plan, were $0.4 million and $1.2 million in the three and nine months ended September 30, 2015 and $0.4 million and $1.2 million in the three and nine months ended September 30, 2014 and are expected to total $1.5 million during 2015.



---

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)

TNMP Plans

The following tables present the components of the TNMP Plans' net periodic benefit cost (income):

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Plan | | OPEB Plan | | Executive Retirement Program | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | | | |
| Components of Net Periodic Benefit Cost (Income) | | | | | | |
| Service cost | $— | $— | $62 | $59 | $— | $— |
| Interest cost | 761 | 798 | 152 | 155 | 9 | 10 |
| Expected return on plan assets | (1,105) | (1,132) | (130) | (133) | — | — |
| Amortization of net (gain) loss | 195 | 166 | — | (31) | 1 | — |
| Amortization of prior service cost | — | — | — | 8 | — | — |
| Net Periodic Benefit Cost (Income) | $(149) | $(168) | $84 | $58 | $10 | $10 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Plan | | OPEB Plan | | Executive Retirement Program | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | | | |
| Components of Net Periodic Benefit Cost (Income) | | | | | | |
| Service cost | $— | $— | $185 | $178 | $— | $— |
| Interest cost | 2,282 | 2,395 | 456 | 464 | | |