

PNM RESOURCES INC  
 Form 10-Q  
 October 28, 2016  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

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

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

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

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

PNMR YESüNO  
PNM YESüNO  
TNMP YESüNO

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Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, 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 21, 2016, 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 21, 2016 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 21, 2016 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

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

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

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

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## GLOSSARY

## Definitions:

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



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IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
KW	Kilowatt
KWh	Kilowatt Hour
La Luz	La Luz Generating Station
LIBOR	London Interbank Offered Rate
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million BTUs
Moody’s	Moody’s Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NEE	New Energy Economy
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM 2015 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on August 27, 2015
NM Capital	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNMR
NM Supreme Court	New Mexico Supreme Court
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
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, a wholly-owned subsidiary of PNMR
PNM 2014 Term Loan Agreement	PNM’s \$175.0 Million Unsecured Term Loan
PNM 2016 Term Loan Agreement	PNM’s \$175.0 Million Unsecured Term Loan



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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 2015 Term Loan Agreement	PNMR’s \$150.0 Million Three-Year Unsecured Term Loan
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 \$150.0 Million One-Year 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
S&P	Standard and Poor’s Ratings Services
SCR	Selective Catalytic Reduction
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SNCR	Selective Non-Catalytic Reduction
SO <sub>2</sub>	Sulfur Dioxide
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TNMP	Texas-New Mexico Power Company and Subsidiaries, a wholly-owned subsidiary of TNP
TNMP 2015 Bond Purchase Agreement	TNMP’s \$60.0 Million First Mortgage Bonds
TNMP Revolving Credit Facility	TNMP’s \$75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries, a wholly-owned subsidiary of PNMR
Tucson	Tucson Electric Power Company

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UG-CSA	Underground Coal Sales Agreement
US Supreme Court	Supreme Court of the United States
Valencia	Valencia Energy Facility
VaR	Value at Risk
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WEG	WildEarth Guardians
Westmoreland	Westmoreland Coal Company
Westmoreland Loan	\$125.0 Million of funding provided by NM Capital to WSJ
WSJ	Westmoreland San Juan, LLC, an indirect wholly-owned subsidiary of Westmoreland

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Electric Operating Revenues	\$400,374	\$417,433	\$1,026,726	\$1,103,187
Operating Expenses:				
Cost of energy	108,766	124,255	282,498	353,939
Administrative and general	46,942	46,375	139,214	130,161
Energy production costs	31,460	42,168	112,026	129,627
Regulatory disallowances and restructuring costs	16,451	—	17,225	1,744
Depreciation and amortization	53,017	47,503	153,801	139,013
Transmission and distribution costs	16,056	16,768	49,965	50,123
Taxes other than income taxes	19,611	18,859	57,598	55,093
Total operating expenses	292,303	295,928	812,327	859,700
Operating income	108,071	121,505	214,399	243,487
Other Income and Deductions:				
Interest income	4,604	1,151	18,420	4,842
Gains on available-for-sale securities	4,531	2,536	15,380	12,116
Other income	4,884	6,165	13,413	16,844
Other (deductions)	(3,764)	(3,222)	(10,866)	(10,591)
Net other income and deductions	10,255	6,630	36,347	23,211
Interest Charges	32,467	27,528	97,179	86,714
Earnings before Income Taxes	85,859	100,607	153,567	179,984
Income Taxes	27,303	35,752	50,094	61,621
Net Earnings	58,556	64,855	103,473	118,363
(Earnings) Attributable to Valencia Non-controlling Interest	(4,006)	(3,678)	(11,037)	(10,909)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(396)	(396)
Net Earnings Attributable to PNMR	\$54,418	\$61,045	\$92,040	\$107,058
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.68	\$0.77	\$1.15	\$1.34
Diluted	\$0.68	\$0.76	\$1.15	\$1.34
Dividends Declared per Common Share	\$0.22	\$0.20	\$0.66	\$0.60

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Net Earnings	\$58,556	\$64,855	\$103,473	\$118,363
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of \$(1,877), \$1,200, \$(1,216) and \$(1,213)	2,933	(1,862 )	1,899	1,882
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$1,985, \$3,925, \$3,955 and \$8,838	(3,101 )	(6,090 )	(6,180 )	(13,714 )
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of \$(537), \$(583), \$(1,611) and \$(1,749)	839	905	2,517	2,715
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$(172), \$276, \$509 and \$276	269	(428 )	(796 )	(428 )
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(79), \$0, \$(224) and \$0	123	—	349	—
Total Other Comprehensive Income (Loss)	1,063	(7,475 )	(2,211 )	(9,545 )
Comprehensive Income	59,619	57,380	101,262	108,818
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,006 )	(3,678 )	(11,037 )	(10,909 )
Preferred Stock Dividend Requirements of Subsidiary	(132 )	(132 )	(396 )	(396 )
Comprehensive Income Attributable to PNMR	\$55,481	\$53,570	\$89,829	\$97,513

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

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

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$ 103,473	\$ 118,363
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	178,137	165,563
Deferred income tax expense	50,302	62,511
Net unrealized (gains) losses on commodity derivatives	2,179	1,251
Realized (gains) on available-for-sale securities	(15,380 )	(12,116 )
Stock based compensation expense	4,401	3,748
Regulatory disallowances and restructuring costs	17,225	1,744
Other, net	(954 )	(4,301 )
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(1,145 )	(23,783 )
Materials, supplies, and fuel stock	(4,629 )	(3,629 )
Other current assets	(11,819 )	37,756
Other assets	1,916	12,350
Accounts payable	6,192	1,275
Accrued interest and taxes	20,816	28,233
Other current liabilities	(19,431 )	(12,731 )
Other liabilities	(10,297 )	(40,662 )
Net cash flows from operating activities	320,986	335,572
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(502,530 )	(411,606 )
Proceeds from sales of available-for-sale securities	280,989	166,097
Purchases of available-for-sale securities	(284,706 )	(166,268 )
Return of principal on PVNGS lessor notes	8,547	21,694
Investment in Westmoreland Loan	(122,250 )	—
Principal repayments on Westmoreland Loan	15,000	—
Other, net	179	2,891
Net cash flows from investing activities	(604,771 )	(387,192 )

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

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

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	105,300	(3,000 )
Long-term borrowings	503,500	463,605
Repayment of long-term debt	(288,157)	(333,066)
Proceeds from stock option exercise	6,668	7,394
Awards of common stock	(14,920 )	(18,955 )
Dividends paid	(52,967 )	(48,188 )
Valencia's transactions with its owner	(12,327 )	(12,107 )
Other, net	(1,682 )	(5,402 )
Net cash flows from financing activities	245,415	50,281
Change in Cash and Cash Equivalents	(38,370 )	(1,339 )
Cash and Cash Equivalents at Beginning of Period	46,051	28,274
Cash and Cash Equivalents at End of Period	\$7,681	\$26,935
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$75,537	\$63,046
Income taxes paid (refunded), net	\$850	\$(1,636 )
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$30,208	\$(8,748 )

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

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

	September 30, 2016 (In thousands)	December 31, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents \$	7,681	\$ 46,051
Accounts receivable, net of allowance for uncollectible accounts of \$1,264 and \$1,397	92,060	98,699
Unbilled revenues	57,705	52,012
Other receivables	17,715	28,590
Current portion of Westmoreland Loan	43,553	—
Materials, supplies, and fuel stock	72,015	67,386
Regulatory assets	7,558	1,070
Commodity derivative instruments	3,949	3,813
Income taxes receivable	6,904	5,845
Other current assets	89,746	82,104
Total current assets	398,886	385,570
Other Property and Investments:		
Long-term portion of Westmoreland Loan	66,230	—
Available-for-sale securities	271,035	259,042
Other investments	428	604
Non-utility property	3,404	3,404
Total other property and investments	341,097	263,050
Utility Plant:		
Plant in service, held for future use, and to be abandoned	6,842,017	6,307,261
Less accumulated depreciation and amortization	2,312,560	2,058,772
	4,529,457	4,248,489
Construction work in progress	227,355	204,766
Nuclear fuel, net of accumulated amortization	87,083	82,117

of \$50,623 and \$44,455		
Net utility plant	4,843,895	4,535,372
Deferred Charges and Other Assets:		
Regulatory assets	463,016	470,664
Goodwill	278,297	278,297
Commodity derivative instruments	747	2,622
Other deferred charges	77,732	73,753
Total deferred charges and other assets	819,792	825,336
	\$ 6,403,670	\$ 6,009,328

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

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

	September 30, 2016	December 31, 2015
	(In thousands, except share information)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Short-term debt	\$355,900	\$ 250,600
Current installments of long-term debt	101,335	124,979
Accounts payable	76,403	100,419
Customer deposits	11,693	12,216
Accrued interest and taxes	80,180	58,306
Regulatory liabilities	6,403	15,591
Commodity derivative instruments	2,423	1,859
Dividends declared	17,656	17,656
Other current liabilities	49,833	59,494
Total current liabilities	701,826	641,120
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	2,207,005	1,966,969
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	935,796	877,393
Regulatory liabilities	468,979	467,413
Asset retirement obligations	119,032	111,895
Accrued pension liability and postretirement benefit cost	63,437	73,097
Commodity derivative instruments	58	—
Other deferred credits	137,686	133,692
Total deferred credits and other liabilities	1,724,988	1,663,490
Total liabilities	4,633,819	4,271,579
Commitments and Contingencies (See Note 11)		
Cumulative Preferred Stock of Subsidiary without mandatory redemption requirements (\$100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)		
	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,162,599	1,166,465
Accumulated other comprehensive income (loss), net of income taxes	(73,643	) (71,432 )
Retained earnings	599,249	559,780
Total PNMR common stockholders' equity	1,688,205	1,654,813
Non-controlling interest in Valencia	70,117	71,407
Total equity	1,758,322	1,726,220
	\$6,403,670	\$ 6,009,328

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



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

	Attributable to PNMR			Total PNMR Common Stockholders' Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2015	\$1,166,465	\$(71,432)	\$559,780	\$1,654,813	\$71,407	\$1,726,220
Net earnings before subsidiary preferred stock dividends	—	—	92,436	92,436	11,037	103,473
Total other comprehensive income (loss)	—	(2,211 )	—	(2,211 )	—	(2,211 )
Subsidiary preferred stock dividends	—	—	(396 )	(396 )	—	(396 )
Dividends declared on common stock	—	—	(52,571 )	(52,571 )	—	(52,571 )
Proceeds from stock option exercise	6,668	—	—	6,668	—	6,668
Awards of common stock	(14,920 )	—	—	(14,920 )	—	(14,920 )
Excess tax (shortfall) from stock-based payment arrangements	(15 )	—	—	(15 )	—	(15 )
Stock based compensation expense	4,401	—	—	4,401	—	4,401
Valencia's transactions with its owner	—	—	—	—	(12,327 )	(12,327 )
Balance at September 30, 2016	\$1,162,599	\$(73,643)	\$599,249	\$1,688,205	\$70,117	\$1,758,322

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(In thousands)			
Electric Operating Revenues	\$311,276	\$333,437	\$780,228	\$870,826
Operating Expenses:				
Cost of energy	88,565	105,708	222,376	299,302
Administrative and general	41,370	41,927	122,553	118,450
Energy production costs	31,460	42,168	112,026	129,627
Regulatory disallowances and restructuring costs	16,451	—	17,225	1,744
Depreciation and amortization	33,312	29,042	97,778	86,446
Transmission and distribution costs	9,311	10,478	29,868	31,519
Taxes other than income taxes	10,750	10,404	33,289	31,194
Total operating expenses	231,219	239,727	635,115	698,282
Operating income	80,057	93,710	145,113	172,544
Other Income and Deductions:				
Interest income	1,509	1,152	8,549	4,869
Gains on available-for-sale securities	4,531	2,536	15,380	12,116
Other income	3,239	5,369	9,578	13,661
Other (deductions)	(2,790)	(2,616)	(7,653)	(7,230)
Net other income and deductions	6,489	6,441	25,854	23,416
Interest Charges	22,213	19,837	66,494	59,477
Earnings before Income Taxes	64,333	80,314	104,473	136,483
Income Taxes	19,343	27,258	32,131	44,560
Net Earnings	44,990	53,056	72,342	91,923
(Earnings) Attributable to Valencia Non-controlling Interest	(4,006)	(3,678)	(11,037)	(10,909)
Net Earnings Attributable to PNM	40,984	49,378	61,305	81,014
Preferred Stock Dividends Requirements	(132)	(132)	(396)	(396)
Net Earnings Available for PNM Common Stock	\$40,852	\$49,246	\$60,909	\$80,618

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

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

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2016	2015	2016
Net Earnings	\$44,990	\$53,056	\$72,342	\$91,923
Other Comprehensive Income (Loss):				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of \$(1,877), \$1,200, \$(1,216) and \$(1,213)	2,933	(1,862 )	1,899	1,882
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$1,985, \$3,925, \$3,955 and \$8,838	(3,101 )	(6,090 )	(6,180 )	(13,714 )
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of \$(537), \$(583), \$(1,611) and \$(1,749)	839	905	2,517	2,715
Total Other Comprehensive Income (Loss)	671	(7,047 )	(1,764 )	(9,117 )
Comprehensive Income	45,661	46,009	70,578	82,806
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,006 )	(3,678 )	(11,037 )	(10,909 )
Comprehensive Income Attributable to PNM	\$41,655	\$42,331	\$59,541	\$71,897

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

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

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$72,342	\$91,923
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	122,344	111,371
Deferred income tax expense	33,175	46,268
Net unrealized (gains) losses on commodity derivatives	2,179	1,251
Realized (gains) on available-for-sale securities	(15,380 )	(12,116 )
Regulatory disallowances and restructuring costs	17,225	1,744
Other, net	(563 )	(5,288 )
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	8,283	(16,220 )
Materials, supplies, and fuel stock	(7,731 )	(3,328 )
Other current assets	(4,005 )	36,707
Other assets	10,117	12,126
Accounts payable	6,819	(794 )
Accrued interest and taxes	16,146	22,856
Other current liabilities	(18,908 )	(12,099 )
Other liabilities	(13,401 )	(34,224 )
Net cash flows from operating activities	228,642	240,177
Cash Flows From Investing Activities:		
Utility plant additions	(377,637)	(301,410)
Proceeds from sales of available-for-sale securities	280,989	166,097
Purchases of available-for-sale securities	(284,706)	(166,268)
Return of principal on PVNGS lessor notes	8,547	21,694
Other, net	171	3,051
Net cash flows from investing activities	(372,636)	(276,836)

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

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

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings, net	42,400	—
Long-term borrowings	321,000	313,605
Repayment of long-term debt	(271,000)	(214,300)
Equity contribution from parent	28,142	—
Dividends paid	(4,538 )	(46,548 )
Valencia's transactions with its owner	(12,327 )	(12,107 )
Other, net	(928 )	(4,934 )
Net cash flows from financing activities	102,749	35,716
Change in Cash and Cash Equivalents	(41,245 )	(943 )
Cash and Cash Equivalents at Beginning of Period	43,138	25,480
Cash and Cash Equivalents at End of Period	\$ 1,893	\$ 24,537
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$53,791	\$42,680
Income taxes paid (refunded), net	\$—	\$(1,450 )
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$20,200	\$(9,933 )

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

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

	September 30, 2016 (In thousands)	December 31, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents \$	1,893	\$ 43,138
Accounts receivable, net of allowance for uncollectible accounts of \$1,264 and \$1,397	63,109	78,291
Unbilled revenues	47,450	42,641
Other receivables	15,676	24,725
Affiliate receivables	8,956	15,105
Materials, supplies, and fuel stock	68,208	60,477
Regulatory assets	4,364	—
Commodity derivative instruments	3,949	3,813
Income taxes receivable	15,621	14,577
Other current assets	81,419	74,990
Total current assets	310,645	357,757
Other Property and Investments:		
Available-for-sale securities	271,035	259,042
Other investments	197	366
Non-utility property	96	96
Total other property and investments	271,328	259,504
Utility Plant:		
Plant in service, held for future use, and to be abandoned	5,303,910	4,833,303
Less accumulated depreciation and amortization	1,785,507	1,569,549
	3,518,403	3,263,754
Construction work in progress	152,940	172,238
Nuclear fuel, net of accumulated amortization of \$50,623 and \$44,455	87,083	82,117
Net utility plant	3,758,426	3,518,109

Deferred Charges and Other Assets:			
Regulatory assets	335,025	342,910	
Goodwill	51,632	51,632	
Commodity derivative instruments	747	2,622	
Other deferred charges	71,209	66,810	
Total deferred charges and other assets	458,613	463,974	
	\$ 4,799,012	\$ 4,599,344	

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

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PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES  
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CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2016	December 31, 2015
	(In thousands, except share information)	
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current Liabilities:		
Short-term debt	\$42,400	\$—
Current installments of long-term debt	56,862	124,979
Accounts payable	59,003	72,386
Affiliate payables	15,082	14,318
Customer deposits	11,693	12,216
Accrued interest and taxes	50,379	33,189
Regulatory liabilities	6,403	15,591
Commodity derivative instruments	2,423	1,859
Dividends declared	132	132
Other current liabilities	31,606	42,251
Total current liabilities	275,983	316,921
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	1,574,725	1,455,698
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	737,780	696,384
Regulatory liabilities	434,755	434,863
Asset retirement obligations	118,133	111,049
Accrued pension liability and postretirement benefit cost	57,057	66,285
Commodity derivative instruments	58	—
Other deferred credits	117,797	117,275
Total deferred credits and liabilities	1,465,580	1,425,856
Total liabilities	3,316,288	3,198,475
Commitments and Contingencies (See Note 11)		
Cumulative Preferred Stock		
without mandatory redemption requirements (\$100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,264,918	1,236,776
Accumulated other comprehensive income (loss), net of income taxes	(73,240)	(71,476)
Retained earnings	209,400	152,633
Total PNM common stockholder's equity	1,401,078	1,317,933
Non-controlling interest in Valencia	70,117	71,407
Total equity	1,471,195	1,389,340
	\$4,799,012	\$4,599,344

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



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

	Attributable to PNM			Total PNM Common Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock (In thousands)	AOCI	Retained Earnings			
Balance at December 31, 2015	\$1,236,776	\$(71,476)	\$152,633	\$1,317,933	\$71,407	\$1,389,340
Net earnings	—	—	61,305	61,305	11,037	72,342
Total other comprehensive income (loss)	—	(1,764 )	—	(1,764 )	—	(1,764 )
Dividends declared on preferred stock	—	—	(396 )	(396 )	—	(396 )
Equity contribution from parent	28,142	—	—	28,142	—	28,142
Dividends declared on common stock	—	—	(4,142 )	(4,142 )	—	(4,142 )
Valencia's transactions with its owner	—	—	—	—	(12,327 )	(12,327 )
Balance at September 30, 2016	\$1,264,918	\$(73,240)	\$209,400	\$1,401,078	\$70,117	\$1,471,195

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Electric Operating Revenues	\$89,098	\$83,996	\$246,498	\$232,361
Operating Expenses:				
Cost of energy	20,201	18,547	60,122	54,637
Administrative and general	9,588	9,071	29,382	26,946
Depreciation and amortization	16,354	15,016	45,760	42,065
Transmission and distribution costs	6,745	6,290	20,097	18,604
Taxes other than income taxes	7,851	7,405	20,849	19,782
Total operating expenses	60,739	56,329	176,210	162,034
Operating income	28,359	27,667	70,288	70,327
Other Income and Deductions:				
Other income	1,376	774	2,999	3,106
Other (deductions)	(521)	(102)	(860)	(349)
Net other income and deductions	855	672	2,139	2,757
Interest Charges	7,308	6,855	22,150	20,636
Earnings before Income Taxes	21,906	21,484	50,277	52,448
Income Taxes	8,053	7,795	18,460	19,200
Net Earnings	\$13,853	\$13,689	\$31,817	\$33,248

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

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

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$31,817	\$33,248
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	47,055	43,272
Deferred income tax expense	(739 )	3,575
Other, net	(391 )	(125 )
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(9,428 )	(7,563 )
Materials and supplies	3,102	(301 )
Other current assets	(3,570 )	2,712
Other assets	(8,415 )	(272 )
Accounts payable	(6,758 )	(210 )
Accrued interest and taxes	22,896	19,757
Other current liabilities	(363 )	1,033
Other liabilities	399	(5,870 )
Net cash flows from operating activities	75,605	89,256
Cash Flows From Investing Activities:		
Utility plant additions	(93,048 )	(90,497 )
Net cash flows from investing activities	(93,048 )	(90,497 )
Cash Flow From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	(59,000 )	(5,000 )
Short-term borrowings (repayments) – affiliate, net	(11,800 )	25,800
Long-term borrowings	60,000	—
Equity contribution from parent	50,000	—
Dividends paid	(17,965 )	(19,559 )
Other, net	(775 )	—
Net cash flows from financing activities	20,460	1,241
Change in Cash and Cash Equivalents	3,017	—
Cash and Cash Equivalents at Beginning of Period	1	1
Cash and Cash Equivalents at End of Period	\$3,018	\$1
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$15,642	\$13,308
Income taxes paid (refunded), net	\$850	\$545
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$(10 )	\$(216 )

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

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

	September 30, 2016	December 31, 2015
	(In thousands)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$3,018	\$ 1
Accounts receivable	28,951	20,408
Unbilled revenues	10,255	9,371
Other receivables	1,129	811
Materials and supplies	3,807	6,909
Regulatory assets	3,194	1,070
Other current assets	2,167	1,053
Total current assets	52,521	39,623
Other Property and Investments:		
Other investments	231	238
Non-utility property	2,240	2,240
Total other property and investments	2,471	2,478
Utility Plant:		
Plant in service and plant held for future use	1,342,081	1,285,727
Less accumulated depreciation and amortization	435,245	406,516
	906,836	879,211
Construction work in progress	45,580	16,561
Net utility plant	952,416	895,772
Deferred Charges and Other Assets:		
Regulatory assets	127,991	127,754
Goodwill	226,665	226,665
Other deferred charges	4,776	4,847
Total deferred charges and other assets	359,432	359,266
	\$1,366,840	\$ 1,297,139

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

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

	September 30, 2016	December 31, 2015
	(In thousands, except share information)	
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities:</b>		
Short-term debt	\$—	\$ 59,000
Short-term debt – affiliate	—	11,800
Accounts payable	9,258	16,006
Affiliate payables	2,346	3,681
Accrued interest and taxes	55,788	32,891
Other current liabilities	3,012	2,044
Total current liabilities	70,404	125,422
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	420,802	361,411
<b>Deferred Credits and Other Liabilities:</b>		
Accumulated deferred income taxes	232,218	232,791
Regulatory liabilities	34,224	32,550
Asset retirement obligations	739	695
Accrued pension liability and postretirement benefit cost	6,380	6,812
Other deferred credits	4,841	4,078
Total deferred credits and other liabilities	278,402	276,926
Total liabilities	769,608	763,759
<b>Commitments and Contingencies (See Note 11)</b>		
<b>Common Stockholder's Equity:</b>		
Common stock (\$10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	454,166	404,166
Retained earnings	143,002	129,150
Total common stockholder's equity	597,232	533,380
	<b>\$1,366,840</b>	<b>\$ 1,297,139</b>

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

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TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES  
 A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.  
 CONDENSED CONSOLIDATED 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, 2015	\$64	\$404,166	\$129,150	\$ 533,380
Net earnings	—	—	31,817	31,817
Equity contribution from parent	—	50,000	—	50,000
Dividends declared on common stock	—	—	(17,965 )	(17,965 )
Balance at September 30, 2016	\$64	\$454,166	\$143,002	\$ 597,232

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

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PNM RESOURCES, INC. AND SUBSIDIARIES  
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(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, 2016 and December 31, 2015, the consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015, and cash flows for the nine months ended September 30, 2016 and 2015. 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 2015 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2016 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 2015 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 Valencia (Note 5) and, through January 15, 2016, the PVNGS Capital Trust. 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. These services are billed 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 \$0.22 per share in July 2016 and \$0.20 in July

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2015, which are reflected as being in the second quarter within “Dividends Declared per Common Share” on the PNMR Condensed Consolidated Statements of Earnings. The Board declared dividends on common stock considered to be for the third quarter of \$0.22 per share in September 2016 and \$0.20 per share in September 2015, which are reflected as being in the third quarter within “Dividends Declared per Common Share” on the PNMR Condensed Consolidated Statements of Earnings.

In the nine months ended September 30, 2016, PNMR made equity contributions of \$28.1 million to PNM and \$50.0 million to TNMP. PNM declared and paid cash dividends on common stock to PNMR of \$4.1 million and \$46.2 million in the nine months ended September 30, 2016 and 2015. TNMP declared and paid cash dividends on common stock to PNMR of \$18.0 million and \$19.6 million in the nine months ended September 30, 2016 and 2015.

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)

In May 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. When it becomes effective, the new standard will replace most existing revenue recognition guidance in GAAP. In August 2015, the FASB issued a one-year deferral in the effective date. Since the issuance of ASU No. 2014-09, the FASB also has issued additional ASUs that clarify implementation guidance regarding principal versus agent considerations, licensing, and identifying performance obligations, as well as adding certain additional practical expedients. The Company must adopt ASU 2014-09 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 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

In August 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 anticipates adopting this standard as of December 31, 2016. The Company is analyzing the impacts of this new standard, but does not anticipate it will have a significant impact on the Company’s financial statements.

Accounting Standards Update 2016-01 – Financial Instruments (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, which makes targeted improvements to GAAP regarding financial instruments. The new standard eliminates the requirement to classify investments in equity securities with readily determinable fair values into trading or available-for-sale categories and will require those equity securities to be measured at fair value with changes in fair value recognized in net income rather than in OCI. Also, the new standard will revise certain presentation and disclosure requirements. Under the new standard, accounting for investments in debt securities remains essentially unchanged. The new standard will be effective for the Company beginning on January 1, 2018. Early adoption of the standard is permitted. The Company is in the process of analyzing the impacts of this new standard.

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(Unaudited)

Accounting Standards Update 2016-02 – Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, which will change how lessees account for leases. The ASU will require that a liability be recorded on the balance sheet for all leases based on the present value of future lease obligations. A corresponding right-of-use asset will also be recorded. Amortization of the lease obligation and the right-of-use asset for certain leases, primarily those classified as operating leases, will be on a straight-line basis, which is not expected to have a significant impact on the statements of earnings or cash flows, whereas other leases will be required to be accounted for as financing arrangements similar to the accounting treatment for capital leases under current GAAP. Also, the new standard will revise certain disclosure requirements. The new standard will be effective for the Company beginning on January 1, 2019. Early adoption of the standard is permitted. At adoption of the ASU, leases will be recognized and measured as of the earliest period presented using a modified retrospective approach. The Company is in the process of analyzing the impacts of this new standard.

Accounting Standards Update 2016-09 – Compensation – Stock Compensation (Topic 718)

In March 2016, the FASB issued ASU No. 2016-09. The ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Currently, tax benefits resulting from deductions in excess of compensation cost on vested restricted stock and performance awards and on exercised stock options (“excess tax benefits”) are recorded to equity provided these benefits reduce taxes payable. Tax deficiencies resulting from deductions related to awards, which are below realized compensation cost upon vesting and on canceled stock options are recorded to equity. The Company has not recorded excess tax benefits to equity since 2009 because it is in a net operating loss position for income tax purposes. Upon implementation of the new standard, the Company will record a cumulative effect adjustment to recognize excess tax benefits that have not been recorded due to the Company’s net operating loss. Subsequent to implementation, all excess tax benefits and deficiencies will be recorded to tax expense on the Condensed Consolidated Income Statements and classified as cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. The Company continues its process of analyzing the impacts of this new standard, but does not believe there will be any retrospective impacts to its financial statements. The Company anticipates adopting the new standard upon its required effective date of January 1, 2017.

Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13. The ASU changes the way entities recognize impairment of many financial assets, including accounts receivable and investments in debt securities, by requiring immediate recognition of estimated credit losses expected to occur over their remaining lives. The new standard is effective for the Company beginning on January 1, 2020. Early adoption is permitted beginning on January 1, 2019. The Company is in the process of analyzing the impacts of this new standard.

Accounting Standards Update 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15. The ASU eliminates diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for the Company beginning on January 1, 2018. Early adoption is permitted including adoption in an interim period. The Company is in the process of analyzing the impacts of this new standard, but does not anticipate it will have a significant impact on the Company's financial statements.

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## (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, 2016		Nine Months Ended September 30, 2016	
	2015	2015	2015	2015
	(In thousands, except per share amounts)			
Net Earnings Attributable to PNMR	\$54,418	\$61,045	\$92,040	\$107,058
Average Number of Common Shares:				
Outstanding during period	79,654	79,654	79,654	79,654
Vested awards of restricted stock	96	100	99	103
Average Shares – Basic	79,750	79,754	79,753	79,757
Dilutive Effect of Common Stock Equivalents:				
Stock options and restricted stock	367	362	377	377
Average Shares – Diluted	80,117	80,116	80,130	80,134
Net Earnings Per Share of Common Stock:				
Basic	\$0.68	\$0.77	\$1.15	\$1.34
Diluted	\$0.68	\$0.76	\$1.15	\$1.34

## (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 (Note 11). FERC has jurisdiction over wholesale power 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 investments, as well as PNMR Services Company. The activities of PNMR Development and NM Capital are also included in Corporate and Other.

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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, 2016				
Electric operating revenues	\$311,276	\$89,098	\$—	\$400,374
Cost of energy	88,565	20,201	—	108,766
Utility margin	222,711	68,897	—	291,608
Other operating expenses	109,342	24,184	(3,006)	130,520
Depreciation and amortization	33,312	16,354	3,351	53,017
Operating income (loss)	80,057	28,359	(345)	108,071
Interest income	1,509	—	3,095	4,604
Other income (deductions)	4,980	855	(184)	5,651
Interest charges	(22,213)	(7,308)	(2,946)	(32,467)
Segment earnings (loss) before income taxes	64,333	21,906	(380)	85,859
Income taxes (benefit)	19,343	8,053	(93)	27,303
Segment earnings (loss)	44,990	13,853	(287)	58,556
Valencia non-controlling interest	(4,006)	—	—	(4,006)
Subsidiary preferred stock dividends	(132)	—	—	(132)
Segment earnings (loss) attributable to PNMR	\$40,852	\$13,853	\$(287)	\$54,418
Nine Months Ended September 30, 2016				
Electric operating revenues	\$780,228	\$246,498	\$—	\$1,026,726
Cost of energy	222,376	60,122	—	282,498
Utility margin	557,852	186,376	—	744,228
Other operating expenses	314,961	70,328	(9,261)	376,028
Depreciation and amortization	97,778	45,760	10,263	153,801
Operating income (loss)	145,113	70,288	(1,002)	214,399
Interest income	8,549	—	9,871	18,420
Other income (deductions)	17,305	2,139	(1,517)	17,927
Interest charges	(66,494)	(22,150)	(8,535)	(97,179)
Segment earnings (loss) before income taxes	104,473	50,277	(1,183)	153,567
Income taxes (benefit)	32,131	18,460	(497)	50,094
Segment earnings (loss)	72,342	31,817	(686)	103,473
Valencia non-controlling interest	(11,037)	—	—	(11,037)
Subsidiary preferred stock dividends	(396)	—	—	(396)
Segment earnings (loss) attributable to PNMR	\$60,909	\$31,817	\$(686)	\$92,040

At September 30, 2016:

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Total Assets	\$4,799,012	\$1,366,840	\$237,818	\$6,403,670
Goodwill	\$51,632	\$226,665	\$—	\$278,297

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	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
Utility 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
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 (benefit)	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)	