

PNM RESOURCES INC  
Form 10-Q  
July 31, 2018  
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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 June 30, 2018

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

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

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

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

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

PNMR YESüNO  
PNM YESüNO  
TNMP YESüNO

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

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

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

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

As of July 25, 2018, 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 July 25, 2018 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 July 25, 2018 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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PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES  
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

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GLOSSARY

Definitions:

2014 IRP	PNM's 2014 IRP
2017 IRP	PNM's 2017 IRP
ABCWUA	Albuquerque Bernalillo County Water Utility Authority
AEP OnSite Partners	AEP OnSite Partners, LLC, a subsidiary of American Electric Power, Inc.
Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ARP	Alternative Revenue Program
ASU	Accounting Standards Update
August 2016 RD	Recommended Decision in PNM's NM 2015 Rate Case issued by the Hearing Examiner on August 4, 2016
BART	Best Available Retrofit Technology
BDT	Balanced Draft Technology
Board	Board of Directors of PNMR
BTMU	MUFG Bank Ltd., formerly The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BTMU Term Loan Agreement	NM Capital's \$125.0 Million Unsecured Term Loan
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
DOE	United States Department of Energy
DOI	United States Department of Interior
EGU	Electric Generating Unit
EIS	Environmental Impact Study
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934
Farmington	The City of Farmington, New Mexico
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
Four Corners	Four Corners Power Plant
Four Corners CSA	Four Corners Power Plant Coal Supply Agreement
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

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

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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
Los Alamos	The Incorporated County of Los Alamos, New Mexico
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBTU	Million British Thermal Units
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
NEC	Navopache Electric Cooperative, Inc.
NEE	New Energy Economy
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM 2015 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on August 27, 2015
NM 2016 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on December 7, 2016
NM Capital	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNMR
NM District Court	United States District Court for the District of New Mexico
NM Supreme Court	New Mexico Supreme Court
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department
NMPRC	New Mexico Public Regulation Commission
NMRD	NM Renewable Development, LLC, owned 50% each by PNMR Development and AEP OnSite Partners, LLC
NO <sub>2</sub>	Nitrogen Dioxide
NOx	Nitrogen Oxide
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
NTEC	Navajo Transitional Energy Company, LLC, an entity owned by the Navajo Nation
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
PCRBs	Pollution Control Revenue Bonds
PNM	Public Service Company of New Mexico and Subsidiaries
	PNM's \$175.0 Million Unsecured Term Loan

PNM 2016 Term Loan  
Agreement

PNM 2017 New Mexico Credit  
Facility

PNM's \$40.0 Million Unsecured Revolving Credit Facility

PNM 2017 Senior Unsecured  
Note Agreement

PNM's Agreement for the sale of Senior Unsecured Notes, aggregating \$450.0 million

PNM 2017 Term Loan  
Agreement

PNM's \$200.0 Million Unsecured Term Loan

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PNM 2018 SUNs	PNM's Senior Unsecured Notes to be issued under the PNM 2017 Senior Unsecured Note Agreement
PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2015 Term Loan Agreement	PNMR's \$150.0 Million Three-Year Unsecured Term Loan
PNMR 2016 One-Year Term Loan	PNMR's \$100.0 Million One-Year Unsecured Term Loan
PNMR 2016 Two-Year Term Loan	PNMR's \$100.0 Million Two-Year Unsecured Term Loan
PNMR 2018 SUNs	PNMR's \$300.0 Million Aggregate Principal Amount of Senior Unsecured Notes due 2021
PNMR Development	PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR
PNMR Development Revolving Credit Facility	PNMR Development's \$24.5 Million Unsecured Revolving Credit Facility
PNMR Revolving Credit Facility	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PPA	Power Purchase Agreement
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
REC	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
RFP	Request For Proposal
Rio Bravo	Rio Bravo Generating Station
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
SJGS CSA	San Juan Generating Station Coal Supply Agreement
SJGS RA	San Juan Project Restructuring Agreement
SJPPA	San Juan Project Participation Agreement
SNCR	Selective Non-Catalytic Reduction
SO <sub>2</sub>	Sulfur Dioxide
SO <sub>x</sub>	Sulfur Oxide
SPS	Southwestern Public Service Company
SRP	Salt River Project
SUNs	Senior Unsecured Notes
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 2018 Rate Case	TNMP's General Rate Case Application Filed on May 30, 2018



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TNMP Revolving Credit Facility	TNMP's \$75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tri-State	Tri-State Generation and Transmission Association, Inc.
Tucson	Tucson Electric Power Company
UAMPS	Utah Associated Municipal Power Systems
US Supreme Court	United States Supreme Court
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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(In thousands, except per share amounts)				
Electric Operating Revenues:				
Contracts with customers	\$338,659	\$326,586	\$642,010	\$623,777
Alternative revenue programs	5,660	8,920	6,584	13,499
Other electric operating revenue	7,994	26,814	21,597	55,222
Total electric operating revenues	352,313	362,320	670,191	692,498
Operating Expenses:				
Cost of energy	87,711	104,267	180,267	207,070
Administrative and general	43,355	42,984	91,638	88,379
Energy production costs	41,888	34,393	77,238	66,180
Regulatory disallowances and restructuring costs	1,794	—	1,794	—
Depreciation and amortization	60,063	57,625	118,785	114,008
Transmission and distribution costs	18,450	17,031	35,406	33,508
Taxes other than income taxes	19,723	18,777	39,602	38,012
Total operating expenses	272,984	275,077	544,730	547,157
Operating income	79,329	87,243	125,461	145,341
Other Income and Deductions:				
Interest income	4,339	3,885	8,462	8,766
Gains (losses) on investment securities	(1,670)	) 5,663	(1,382)	) 12,324
Other income	4,796	3,450	8,265	8,351
Other (deductions)	(5,868)	) (5,042)	) (7,243)	) (10,663)
Net other income and deductions	1,597	7,956	8,102	18,778
Interest Charges	33,321	32,332	66,376	64,031
Earnings before Income Taxes	47,605	62,867	67,187	100,088
Income Taxes	5,156	21,636	5,939	32,411
Net Earnings	42,449	41,231	61,248	67,677
(Earnings) Attributable to Valencia Non-controlling Interest	(4,109)	) (3,544)	) (7,786)	) (6,996)
Preferred Stock Dividend Requirements of Subsidiary	(132)	) (132)	) (264)	) (264)
Net Earnings Attributable to PNMR	\$38,208	\$37,555	\$53,198	\$60,417
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.48	\$0.47	\$0.67	\$0.76
Diluted	\$0.48	\$0.47	\$0.67	\$0.75
Dividends Declared per Common Share	\$0.2650	\$0.2425	\$0.5300	\$0.4850

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



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

	Three Months Ended June 30, 2018      2017		Six Months Ended June 30, 2018      2017	
	(In thousands)			
Net Earnings	\$42,449	\$41,231	\$61,248	\$67,677
Other Comprehensive Income:				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(91), \$(2,777), \$(374), and \$(5,783)	266	4,378	1,098	9,120
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$126, \$1,629, \$794, and \$2,701	(371	) (2,569	) (2,332	) (4,260
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gains) losses recognized as net periodic benefit cost, net of income tax expense (benefit) of \$1,415 \$(482), \$(626), \$(962), and \$(1,252)	987	2,826	1,974	
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$(143), \$40, \$(615), and \$112	419	(63	) 1,805	(176
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(12), \$(82), \$1, and \$(125)	34	130	(6	) 198
Total Other Comprehensive Income	1,763	2,863	3,391	6,856
Comprehensive Income	44,212	44,094	64,639	74,533
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,109	) (3,544	) (7,786	) (6,996
Preferred Stock Dividend Requirements of Subsidiary	(132	) (132	) (264	) (264
Comprehensive Income Attributable to PNMR	\$39,971	\$40,418	\$56,589	\$67,273

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

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

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$61,248	\$67,677
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	137,020	131,861
Deferred income tax expense	5,888	32,443
Net unrealized (gains) losses on commodity derivatives	(56	) 939
(Gains) losses on investment securities	1,382	(12,324 )
Stock based compensation expense	3,325	4,561
Regulatory disallowances and restructuring costs	1,794	—
Allowance for equity funds used during construction	(4,641	) (3,465 )
Other, net	1,595	1,056
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(17,130 )	(12,204 )
Materials, supplies, and fuel stock	(8,282	) 969
Other current assets	(16,130 )	1,613
Other assets	2,603	3,186
Accounts payable	(21,229 )	(2,052 )
Accrued interest and taxes	(4,865	) (6,802 )
Other current liabilities	(1,516	) (2,498 )
Other liabilities	(7,106	) (4,341 )
Net cash flows from operating activities	133,900	200,619
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(245,587)	(230,882)
Proceeds from sales of investment securities	794,088	358,045
Purchases of investment securities	(797,271)	(359,853)
Principal repayments on Westmoreland Loan	56,640	19,180
Investments in NMRD	(8,000	) —
Other, net	(120	) 143
Net cash flows from investing activities	(200,250)	(213,367)

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

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

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	(22,800 )	86,400
Long-term borrowings	709,652	57,000
Repayment of long-term debt	(550,137 )	(77,447 )
Proceeds from stock option exercise	924	1,574
Awards of common stock	(12,268 )	(13,166 )
Dividends paid	(42,480 )	(38,896 )
Valencia's transactions with its owner	(8,381 )	(7,731 )
Amounts received under transmission interconnection arrangements	—	11,419
Refunds paid under transmission interconnection arrangements	(1,661 )	(8,783 )
Debt issuance costs and other, net	(5,584 )	(951 )
Net cash flows from financing activities	67,265	9,419
Change in Cash, Restricted Cash, and Equivalents	915	(3,329 )
Cash, Restricted Cash, and Equivalents at Beginning of Period	3,974	5,522
Cash, Restricted Cash, and Equivalents at End of Period	\$4,889	\$2,193
Restricted Cash Included in Other Current Assets on Condensed Consolidated Balance Sheets:		
At beginning of period	\$—	\$1,000
At end of period	\$—	\$—
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$59,626	\$59,982
Income taxes paid (refunded), net	\$842	\$625
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$17,303	\$1,279

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

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

	June 30, 2018	December 31, 2017
	(In thousands)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$4,889	\$ 3,974
Accounts receivable, net of allowance for uncollectible accounts of \$1,189 and \$1,081	89,158	90,473
Unbilled revenues	70,904	54,055
Other receivables	24,338	17,582
Current portion of Westmoreland Loan	—	3,576
Materials, supplies, and fuel stock	74,785	66,502
Regulatory assets	6,586	2,933
Commodity derivative instruments	1,094	1,088
Income taxes receivable	7,670	6,879
Other current assets	51,818	47,358
Total current assets	331,242	294,420
Other Property and Investments:		
Long-term portion of Westmoreland Loan	—	53,064
Investment securities	323,105	323,524
Equity investment in NMRD	24,761	16,510
Other investments	373	503
Non-utility property	3,404	3,404
Total other property and investments	351,643	397,005
Utility Plant:		
Plant in service and held for future use	7,438,356	7,238,285
Less accumulated depreciation and amortization	2,648,684	2,592,692
	4,789,672	4,645,593
Construction work in progress	220,065	245,933
Nuclear fuel, net of accumulated amortization of \$43,309 and \$43,524	90,962	88,701
Net utility plant	5,100,699	4,980,227
Deferred Charges and Other Assets:		
Regulatory assets	588,971	600,672
Goodwill	278,297	278,297
Commodity derivative instruments	3,014	3,556
Other deferred charges	96,223	91,926
Total deferred charges and other assets	966,505	974,451
	\$6,750,089	\$ 6,646,103

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

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

	June 30, 2018	December 31, 2017
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$282,600	\$ 305,400
Current installments of long-term debt	471,690	256,895
Accounts payable	82,851	121,383
Customer deposits	10,919	11,028
Accrued interest and taxes	58,283	62,357
Regulatory liabilities	—	2,309
Commodity derivative instruments	1,416	1,182
Dividends declared	132	21,240
Other current liabilities	54,259	53,850
Total current liabilities	962,150	835,644
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	2,122,352	2,180,750
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	566,084	547,210
Regulatory liabilities	928,706	933,578
Asset retirement obligations	152,300	146,679
Accrued pension liability and postretirement benefit cost	84,934	94,003
Commodity derivative instruments	3,014	3,556
Other deferred credits	130,705	131,706
Total deferred credits and other liabilities	1,865,743	1,856,732
Total liabilities	4,950,245	4,873,126
Commitments and Contingencies (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)	1,149,646	1,157,665
Accumulated other comprehensive income (loss), net of income taxes	(103,757 )	(95,940 )
Retained earnings	676,826	633,528
Total PNMR common stockholders' equity	1,722,715	1,695,253
Non-controlling interest in Valencia	65,600	66,195
Total equity	1,788,315	1,761,448
	\$6,750,089	\$ 6,646,103

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



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

	Attributable to PNMR			Total PNMR	Non-	
	Common	AOCI	Retained	Common	controlling	Total
	Stock		Earnings	Stockholders'	Interest	Equity
				Equity	in	
					Valencia	
	(In thousands)					
Balance at December 31, 2017, as originally reported	\$1,157,665	\$(95,940 )	\$633,528	\$1,695,253	\$66,195	\$1,761,448
Cumulative effect adjustment (Note 7)	—	(11,208 )	11,208	—	—	—
Balance at January 1, 2018, as adjusted	1,157,665	(107,148 )	644,736	1,695,253	66,195	1,761,448
Net earnings before subsidiary preferred stock dividends	—	—	53,462	53,462	7,786	61,248
Total other comprehensive income	—	3,391	—	3,391	—	3,391
Subsidiary preferred stock dividends	—	—	(264 )	(264 )	—	(264 )
Dividends declared on common stock	—	—	(21,108 )	(21,108 )	—	(21,108 )
Proceeds from stock option exercise	924	—	—	924	—	924
Awards of common stock	(12,268 )	—	—	(12,268 )	—	(12,268 )
Stock based compensation expense	3,325	—	—	3,325	—	3,325
Valencia's transactions with its owner	—	—	—	—	(8,381 )	(8,381 )
Balance at June 30, 2018	\$1,149,646	\$(103,757)	\$676,826	\$1,722,715	\$65,600	\$1,788,315

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

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	2017		2017	
	(In thousands)			
Electric Operating Revenues:				
Contracts with customers	\$254,728	\$246,402	\$477,291	\$468,465
Alternative revenue programs	1,789	2,881	1,854	3,968
Other electric operating revenue	7,994	26,814	21,597	55,222
Total electric operating revenues	264,511	276,097	500,742	527,655
Operating Expenses:				
Cost of energy	66,361	82,952	137,163	164,268
Administrative and general	40,922	39,798	84,648	80,708
Energy production costs	41,888	34,393	77,238	66,180
Regulatory disallowances and restructuring costs	1,794	—	1,794	—
Depreciation and amortization	38,213	36,448	74,840	72,464
Transmission and distribution costs	10,993	10,175	20,820	20,094
Taxes other than income taxes	11,461	11,029	23,069	22,169
Total operating expenses	211,632	214,795	419,572	425,883
Operating income	52,879	61,302	81,170	101,772
Other Income and Deductions:				
Interest income	3,381	1,858	5,868	4,675
Gains (losses) on investment securities	(1,670)	) 5,663	(1,382)	) 12,324
Other income	2,292	2,665	4,684	6,508
Other (deductions)	(3,768)	) (4,566)	) (5,229)	) (9,526)
Net other income and deductions	235	5,620	3,941	13,981
Interest Charges	19,988	20,931	40,818	41,943
Earnings before Income Taxes	33,126	45,991	44,293	73,810
Income Taxes	2,345	15,515	1,997	23,223
Net Earnings	30,781	30,476	42,296	50,587
(Earnings) Attributable to Valencia Non-controlling Interest	(4,109)	) (3,544)	) (7,786)	) (6,996)
Net Earnings Attributable to PNM	26,672	26,932	34,510	43,591
Preferred Stock Dividends Requirements	(132)	) (132)	) (264)	) (264)
Net Earnings Available for PNM Common Stock	\$26,540	\$26,800	\$34,246	\$43,327

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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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Net Earnings	\$30,781	\$30,476	\$42,296	\$50,587
Other Comprehensive Income:				
Unrealized Gains on Available-for-Sale Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(91), \$(2,777), \$(374), and \$(5,783)	266	4,378	1,098	9,120
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$126, \$1,629, \$794, and \$2,701	(371 )	(2,569 )	(2,332 )	(4,260 )
Pension Liability Adjustment:				
Reclassification adjustment for amortization of experience (gains) losses recognized as net periodic benefit cost, net of income tax expense (benefit) of \$1,415, \$(482), \$(626), \$(962), and \$(1,252)	1,415	987	2,826	1,974
Total Other Comprehensive Income	1,310	2,796	1,592	6,834
Comprehensive Income	32,091	33,272	43,888	57,421
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(4,109 )	(3,544 )	(7,786 )	(6,996 )
Comprehensive Income Attributable to PNM	\$27,982	\$29,728	\$36,102	\$50,425

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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)

	Six Months Ended June 30, 2018 (In thousands)	2017
Cash Flows From Operating Activities:		
Net earnings	\$ 42,296	\$ 50,587
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	90,713	88,864
Deferred income tax expense	2,342	23,685
Net unrealized (gains) losses on commodity derivatives	(56 )	939
(Gains) losses on investment securities	1,382	(12,324 )
Regulatory disallowances and restructuring costs	1,794	—
Allowance for equity funds used during construction	(3,879 )	(3,331 )
Other, net	1,595	1,053
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(12,057 )	(8,846 )
Materials, supplies, and fuel stock	(7,071 )	1,591
Other current assets	(17,995 )	4,623
Other assets	8,296	8,539
Accounts payable	(13,050 )	(754 )
Accrued interest and taxes	(988 )	(1,520 )
Other current liabilities	(11,364 )	9,220
Other liabilities	(10,300 )	(6,949 )
Net cash flows from operating activities	71,658	155,377

Cash Flows From

Investing Activities:

Utility plant additions	(120,287)	)	(125,698)	)
Proceeds from sales of investment securities	794,088		358,045	
Purchases of investment securities	(797,271)	)	(359,853)	)
Other, net	131		143	
Net cash flows from investing activities	(123,339)	)	(127,363)	)

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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)

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Cash Flows From Financing Activities:		
Revolving credit facilities borrowings (repayments), net	(6,200 )	(23,000 )
Short-term borrowings (repayments) - affiliate, net	4,900	—
Long-term borrowings	350,000	57,000
Repayment of long-term debt	(350,000)	(57,000 )
Dividends paid	(264 )	(264 )
Valencia's transactions with its owner	(8,381 )	(7,731 )
Amounts received under transmission interconnection arrangements	68,200	11,419
Refunds paid under transmission interconnection arrangements	(1,661 )	(8,783 )
Debt issuance costs and other, net	(3,147 )	(953 )
Net cash flows from financing activities	53,447	(29,312 )
Change in Cash, Restricted Cash, and Equivalents	1,766	(1,298 )
Cash, Restricted Cash, and Equivalents at Beginning of Period	1,108	1,324
Cash, Restricted Cash, and Equivalents at End of Period	\$2,874	\$26
Restricted Cash Included in Other Current Assets on Condensed Consolidated Balance Sheets:		
At beginning of period	\$—	\$1,000
At end of period	\$—	\$—
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$39,881	\$39,584
Income taxes paid (refunded), net	\$—	\$—
Supplemental schedule of noncash investing activities:		
(Increase) decrease in accrued plant additions	\$(841 )	\$(5,392 )

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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)

	June 30, 2018	December 31, 2017
	(In thousands)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$2,874	\$ 1,108
Accounts receivable, net of allowance for uncollectible accounts of \$1,189 and \$1,081	62,677	67,227
Unbilled revenues	58,880	43,869
Other receivables	22,680	14,541
Affiliate receivables	9,037	9,486
Materials, supplies, and fuel stock	67,930	60,859
Regulatory assets	5,815	2,139
Commodity derivative instruments	1,094	1,088
Income taxes receivable	3,754	3,410
Other current assets	46,369	39,904
Total current assets	281,110	243,631
Other Property and Investments:		
Investment securities	323,105	323,524
Other investments	153	283
Non-utility property	96	96
Total other property and investments	323,354	323,903
Utility Plant:		
Plant in service and held for future use	5,672,141	5,501,070
Less accumulated depreciation and amortization	2,064,741	2,029,534
	3,607,400	3,471,536
Construction work in progress	114,535	204,079
Nuclear fuel, net of accumulated amortization of \$43,309 and \$43,524	90,962	88,701
Net utility plant	3,812,897	3,764,316
Deferred Charges and Other Assets:		
Regulatory assets	447,691	459,239
Goodwill	51,632	51,632
Commodity derivative instruments	3,014	3,556
Other deferred charges	74,579	75,286
Total deferred charges and other assets	576,916	589,713
	\$4,994,277	\$ 4,921,563

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

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

	June 30, 2018	December 31, 2017
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER’S EQUITY		
Current Liabilities:		
Short-term debt	\$33,600	\$ 39,800
Short-term debt - affiliate	4,900	—
Current installments of long-term debt	200,012	23
Accounts payable	64,885	77,094
Affiliate payables	8,186	22,875
Customer deposits	10,919	11,028
Accrued interest and taxes	33,301	33,945
Regulatory liabilities	—	784
Commodity derivative instruments	1,416	1,182
Dividends declared	132	132
Other current liabilities	34,910	31,633
Total current liabilities	392,261	218,496
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	1,455,748	1,657,887
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	463,895	449,012
Regulatory liabilities	742,574	754,441
Asset retirement obligations	151,289	145,707
Accrued pension liability and postretirement benefit cost	78,184	86,124
Commodity derivative instruments	3,014	3,556
Other deferred credits	172,171	106,442
Total deferred credits and liabilities	1,611,127	1,545,282
Total liabilities	3,459,136	3,421,665
Commitments and Contingencies (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	1,264,918
Accumulated other comprehensive income (loss), net of income taxes	(106,709 )	(97,093 )
Retained earnings	299,803	254,349
Total PNM common stockholder’s equity	1,458,012	1,422,174
Non-controlling interest in Valencia	65,600	66,195
Total equity	1,523,612	1,488,369
	\$4,994,277	\$ 4,921,563

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

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PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES  
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.  
CONDENSED CONSOLIDATED 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, 2017, as originally reported	\$ 1,264,918	\$(97,093)	\$ 254,349	\$ 1,422,174	\$ 66,195	\$ 1,488,369
Cumulative effect adjustment (Note 7)	—	(11,208 )	11,208	—	—	—
Balance at January 1, 2018, as adjusted	1,264,918	(108,301 )	265,557	1,422,174	66,195	