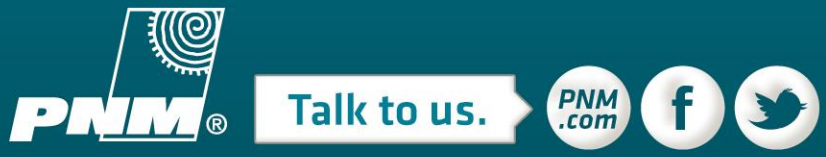
San Juan Generating Station Update

OMNI WARNER, PLANT DIRECTOR, SAN JUAN GENERATING STATION

MAUREEN GANNON, EXECUTIVE DIRECTOR, ENVIRONMENT & LAND



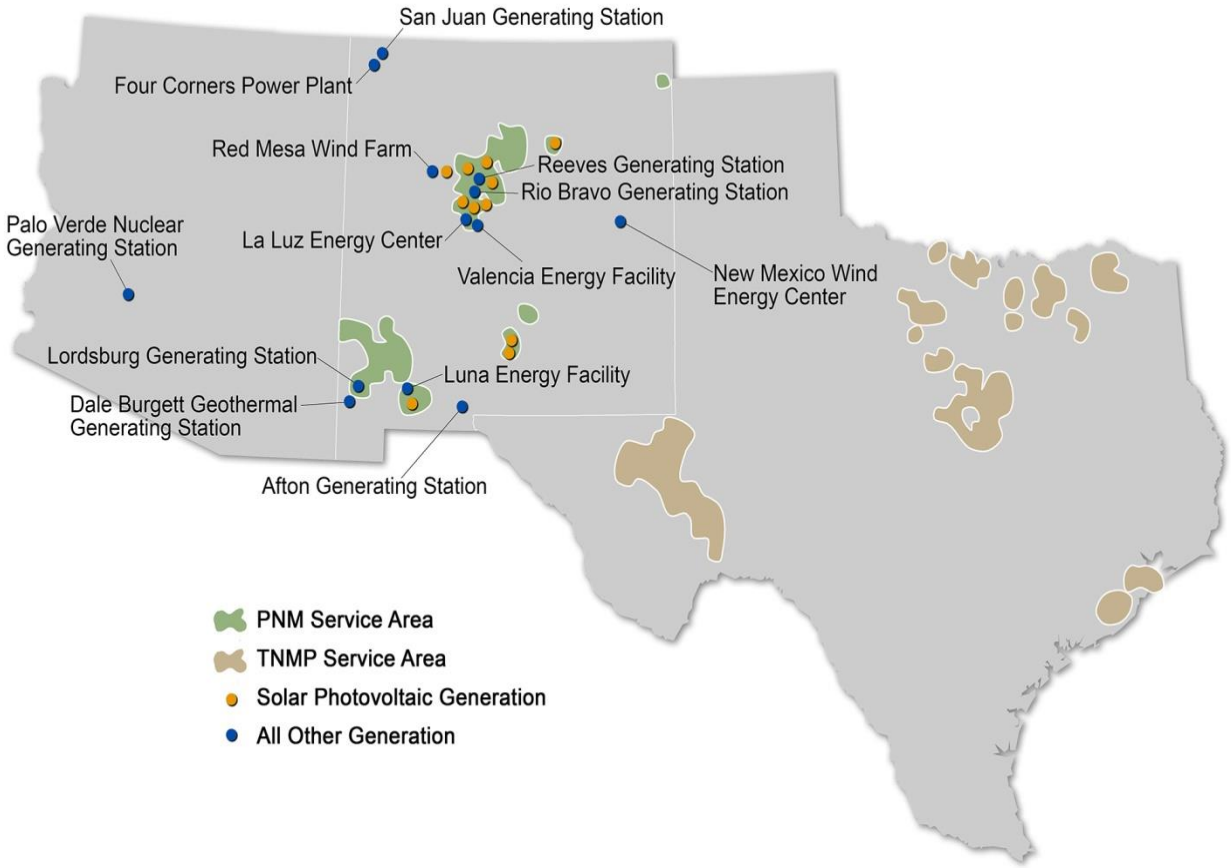
OCTOBER 24, 2018

SAN JUAN GENERATING STATION UPDATE

- PNMR Profile
- San Juan Generating Station (SJGS)
    - Past Statistics
    - Environmental Performance
    - 2018 vs 2017 Resource Mix
- What's Ahead

PNM RESOURCES PROFILE

GENERATION RESOURCES



PNM Resources

- Energy holding company
- Based in Albuquerque, New Mexico

PNM

- Located in New Mexico
- 523,812 customers
- 15,091 miles transmission and distribution lines
- 2,580 MW generation capacity
- Top quartile reliability
- Affordable rates

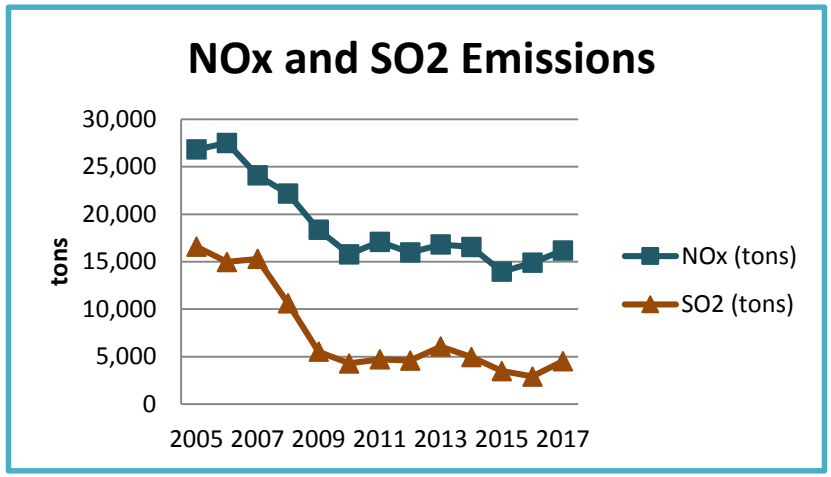
TNMP

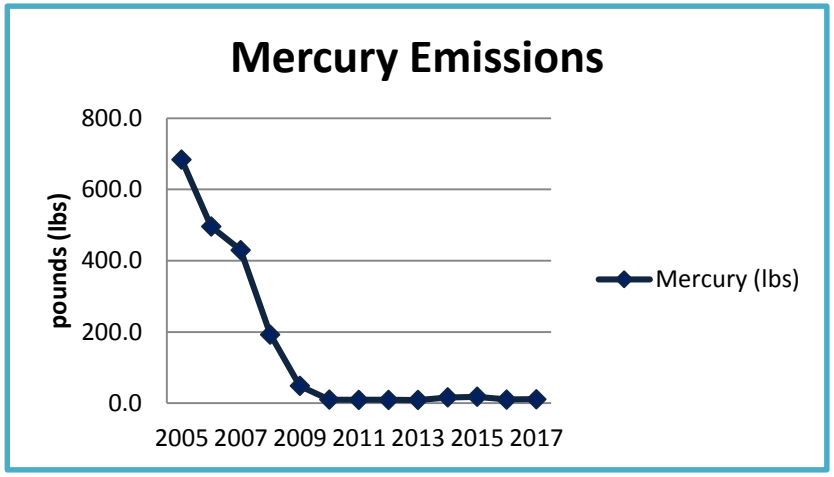
- Located in Texas
- 249,632 end-users
- 9,338 miles transmission and distribution lines
- Top quartile reliability
- Affordable rates

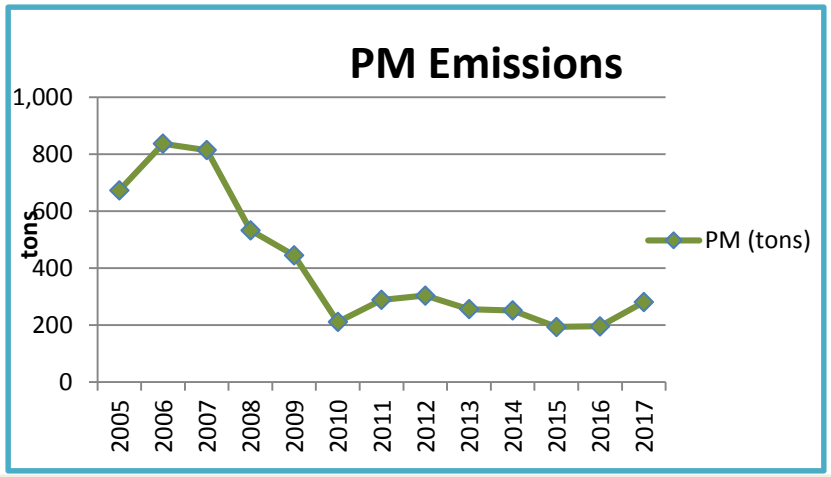
PAST PLANT STATISTICS

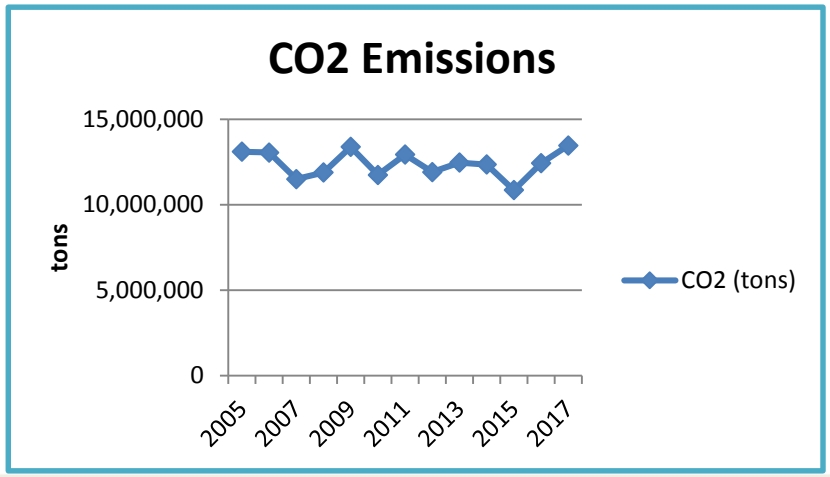
- Four unit, coal-fired steam-electric power generating station – 1683 MW capacity
  - Unit 1, 340 MW (1976)
  - Unit 2, 340 MW (1973)
  - Unit 3, 496 MW (1979)
  - Unit 4, 507 MW (1982)
- Originally 9 owners; PNM's ownership was approx. 47%
- 13 million MWHr of power produced each year.
- Electric customers served
  - More than 2 million customers throughout the Southwest and West
  - Customers served within New Mexico included:
    - 500,000 PNM
    - 450,000 NM Rural Electric Cooperatives
    - 44,000 City of Farmington
    - 8,500 Los Alamos County

SJGS EMISSIONS 2005 - 2017









ENV UPGRADE & REGIONAL HAZE SETTLEMENT

SJGS EMISSIONS REDUCTIONS (BASED UPON PERMIT LIMITS)

SJGS Emissions	NOx	SO_2	Particulate Matter	Mercury*	CO_2*
Emission Reductions- 2009 Environmental Pollution Control Upgrades	44% ↓	71% ↓	> 72% ↓	99% ↓	N/A
2012** Emissions (tons per year)	21,000	10,500	2,380	0.005	11,906,236
Emission Reductions from 2012 to 2018- Revised State Implementation Plan (2-unit shutdown/2-unit selective non-catalytic reduction)	62% ↓	67% ↓	50% ↓	50% ↓	47% ↓
Projected Emissions in 2018 (tons per year)	8,011	3,483	1,184	0.002	6,359,750

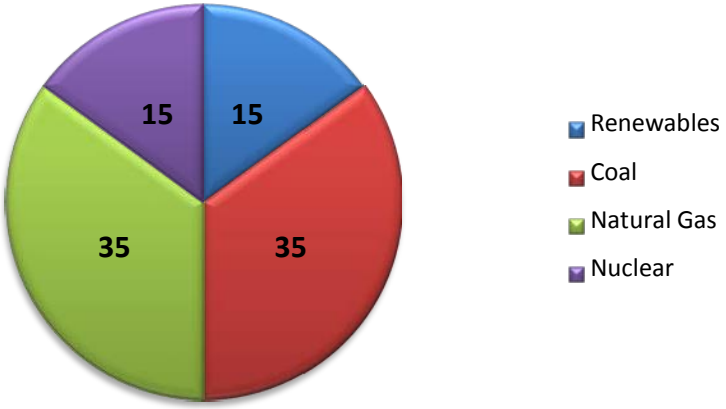
* Mercury and CO_2 numbers are based upon actual emissions since there are currently no permit limits for these constituents.

** 2012 chosen as base year to match the base year of EPA's Clean Power Plan for reduction of CO_2 emissions for fossil generation.

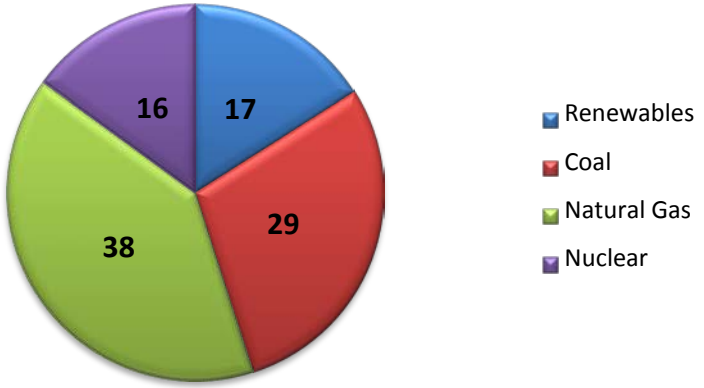
2018 vs 2017 RESOURCE MIX

CAPACITY MIX

Capacity Mix (% MW), 2017



Forecasted Capacity Mix (% MW), 2018



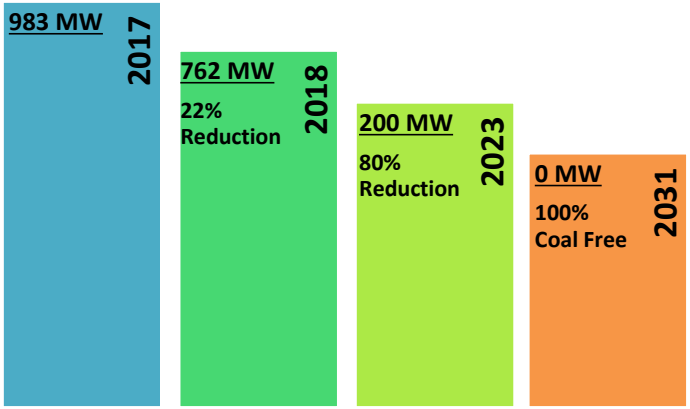
INTEGRATED RESOURCE PLAN

- PNM's 2017 – 2036 Integrated Resource Plan (IRP) completed in 2017
  - Examined 20-yr resource plan horizon (must be revisited every three years)
  - Analyzed resource portfolio plans that included SJGS under two scenarios:
    - Continuation
    - Abandonment after current fuel supply agreement expires (2022)
- 2017 IRP indicates that it is cost-beneficial to PNM's customers for PNM to
  - retire SJGS in 2022, and
  - exit our ownership interest in Four Corners Power Plant in 2031
- Requires NMPRC regulatory approval

https://www.pnm.com/irp

PLANS FOR COAL FREE GENERATION PORTFOLIO BY 2031

- Retirement of SJGS leads to 80% reduction in coal capacity by 2023; exit from Four Corners in 2031 completes transformation to a coal-free generation portfolio[1]
  - **2018:** Since the shutdown of Units 2 & 3, PNM anticipates an annual reduction in ***system-wide*** CO_2 emissions by approximately 40% over 2012 levels
  - **2030:** PNM expects to achieve an annual reduction of approximately 60 percent in CO_2 emissions over 2012 levels. PNM plans to exit all coal generation by 2031; and
  - **2040:** PNM's goal is to reduce annual CO_2 emissions in 2040 by a total of 87 percent from 2012 levels.



[1] PNMR Climate Change Report http://www.pnmresources.com/about-us/sustainability-portal/climate-change-report.aspx

Thank you