

TEXAS NEW MEXICO POWER CO

Form 10-Q

August 03, 2012

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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, 2012

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) Alvarado Square Albuquerque, New Mexico 87158 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) Alvarado Square Albuquerque, New Mexico 87158 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

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

PNM Resources, Inc. ("PNMR")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Public Service Company of New Mexico ("PNM")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Texas-New Mexico Power Company ("TNMP")	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>

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

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

PNMR
PNM
TNMP

YES ü NO
YES ü NO
YES ü NO

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Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the 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 July 27, 2012, 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 27, 2012 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 27, 2012 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

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

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

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

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GLOSSARY

Definitions:

Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMS	Advanced Meter System
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the Parent of SJCC
Board	Board of Directors of PNMR
CAA	Clean Air Act
CCB	Coal Combustion Byproducts
CO ₂	Carbon Dioxide
CTC	Competition Transition Charge
Decatherm	Million British Thermal Units
Delta	Delta-Person Generating Station
DOE	United States Department of Energy
DOI	United States Department of Interior
ECJV	ECJV Holdings, LLC, a wholly owned subsidiary of Cascade Investment, L.L.C.
EIB	New Mexico Environmental Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
First Choice	FCP Enterprises, Inc. and Subsidiaries
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
GEaR	Gross Earnings at Risk
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers, Local 611
IRP	Integrated Resource Plan
KW	Kilowatt
KWh	Kilowatt Hour
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, Navajo Nation Safe Drinking Water Act, and Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS

NEC	Navopache Electric Cooperative, Inc.
NERC	North American Electric Reliability Corporation
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMIEC	New Mexico Industrial Energy Consumers Inc.
NMPRC	New Mexico Public Regulation Commission

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NO _x	Nitrogen Oxides
NOI	Notice of Inquiry
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NSR	New Source Review
O&M	Operations and Maintenance
OCI	Other Comprehensive Income
OPEB	Other Post Employment Benefits
Optim Energy	Optim Energy, LLC, a limited liability company, formerly known as EnergyCo, LLC
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 Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
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
REP	Retail Electricity Provider
RFP	Request for Proposal
RMC	Risk Management Committee
RPS	Renewable Energy Portfolio Standard
SCE	Southern California Edison Company
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 ₂	Sulfur Dioxide
SPS	Southwestern Public Service Company
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
TNMP	Texas-New Mexico Power Company and Subsidiaries, a wholly owned subsidiary of TNP
TNMP Revolving Credit Facility	TNMP's \$75.0 Million Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries, a wholly owned subsidiary of PNMR
Valencia	Valencia Energy Facility
VaR	Value at Risk

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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,	
	2012	2011	2012	2011
	(In thousands, except per share amounts)			
Electric Operating Revenues	\$323,860	\$415,586	\$629,234	\$803,249
Operating Expenses:				
Cost of energy	94,719	173,454	186,565	331,961
Administrative and general	45,289	68,795	90,089	127,260
Energy production costs	46,053	47,127	91,182	95,779
Regulatory disallowances	—	21,402	—	21,402
Depreciation and amortization	41,054	38,272	79,468	76,745
Transmission and distribution costs	17,565	18,161	33,814	35,038
Taxes other than income taxes	14,074	15,515	29,281	29,985
Total operating expenses	258,754	382,726	510,399	718,170
Operating income	65,106	32,860	118,835	85,079
Other Income and Deductions:				
Interest income	3,386	4,234	6,678	8,261
Gains (losses) on investments held by NDT	(795	) 5,894	3,660	11,797
Other income	1,862	809	4,507	1,804
Other deductions	(2,716	) (3,881	) (7,268	) (6,953
Net other income (deductions)	1,737	7,056	7,577	14,909
Interest Charges	30,198	30,512	59,765	61,127
Earnings before Income Taxes	36,645	9,404	66,647	38,861
Income Taxes	11,546	1,735	21,071	11,241
Net Earnings	25,099	7,669	45,576	27,620
(Earnings) Attributable to Valencia Non-controlling Interest	(3,455	) (3,470	) (6,720	) (6,652
Preferred Stock Dividend Requirements of Subsidiary	(132	) (132	) (264	) (264
Net Earnings Attributable to PNMR	\$21,512	\$4,067	\$38,592	\$20,704
Net Earnings Attributable to PNMR per Common Share:				
Basic	\$0.27	\$0.04	\$0.48	\$0.23
Diluted	\$0.27	\$0.04	\$0.48	\$0.22
Dividends Declared per Common Share	\$0.145	\$0.125	\$0.290	\$0.250

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Net Earnings	\$25,099	\$7,669	\$45,576	\$27,620
Other Comprehensive Income (Loss):				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(3,022), \$(5,827), \$(10,437), and 4,611 \$(9,280)		8,892	15,924	14,161
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$4,992, \$7,892, \$8,538, and \$9,962	(7,617	) (12,043	) (13,028	) (15,201
Changes in unrecognized amounts of pension and postretirement benefits, net of income tax (expense) benefit of \$(476), \$(425), \$(952), and \$601		648	1,454	(966
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of \$40, \$327, \$99, and \$318	(72	) (585	) (178	) (562
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$(16), \$(215), \$(31), and \$(302)	29	389	56	543
Total Other Comprehensive Income (Loss)	(2,322	) (2,699	) 4,228	(2,025
Comprehensive Income	22,777	4,970	49,804	25,595
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,455	) (3,470	) (6,720	) (6,652
Preferred Stock Dividend Requirements of Subsidiary	(132	) (132	) (264	) (264
Comprehensive Income Attributable to PNMR	\$19,190	\$1,368	\$42,820	\$18,679

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)

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$45,576	\$27,620
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	99,971	97,404
Bad debt expense	1,790	11,732
Deferred income tax expense	21,354	17,992
Net unrealized (gains) losses on derivatives	1,978	(6,996)
Realized (gains) on investments held by NDT	(3,660)	(11,797)
Stock based compensation expense	1,435	2,867
Regulatory disallowances	—	21,402
Other, net	(2,610)	(443)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(20,901)	(44,371)
Materials, supplies, and fuel stock	(5,250)	1,109
Other current assets	(12,021)	1,679
Other assets	(6,659)	(257)
Accounts payable	(4,882)	6,101
Interest and taxes	(9,944)	(6,798)
Other current liabilities	(3,016)	(10,532)
Proceeds from governmental grants	21,567	—
Other liabilities	(83,432)	(21,972)
Net cash flows from operating activities	41,296	84,740
Cash Flows From Investing Activities:		
Additions to utility and non-utility plant	(156,796)	(153,168)
Proceeds from sales of investments held by NDT	45,787	94,890
Purchases of investments held by NDT	(47,313)	(96,410)
Return of principal on PVNGS lessor notes	12,632	15,374
Proceeds from sales of utility plant	1,367	—
Other, net	2,320	760
Net cash flows from investing activities	(142,003)	(138,554)

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)

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	124,300	82,000
Proceeds from stock option exercise	5,410	2,172
Purchases to satisfy awards of common stock	(12,674	) (4,535
Dividends paid	(21,770	) (23,127
Valencia's transactions with its owner	(7,449	) (7,232
Proceeds from transmission interconnection agreements	983	589
Other, net	—	2,566
Net cash flows from financing activities	88,800	52,433
Change in Cash and Cash Equivalents	(11,907	) (1,381
Cash and Cash Equivalents at Beginning of Period	15,091	15,404
Cash and Cash Equivalents at End of Period	\$3,184	\$14,023
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$56,217	\$57,930
Income taxes paid (refunded), net	\$5,302	\$(1,775

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)

	June 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$3,184	\$15,091
Accounts receivable, net of allowance for uncollectible accounts of \$1,931 and \$1,778	89,479	87,794
Unbilled revenues	74,827	57,401
Other receivables	49,077	71,069
Materials, supplies, and fuel stock	59,481	54,231
Regulatory assets	47,906	44,993
Commodity derivative instruments	4,659	3,713
Income taxes receivable	100,715	95,130
Other current assets	41,463	33,397
Total current assets	470,791	462,819
Other Property and Investments:		
Investment in PVNGS lessor notes	67,400	79,049
Investments held by NDT	178,834	168,851
Other investments	8,450	12,207
Non-utility property, net of accumulated depreciation of \$132 and \$120	4,621	4,631
Total other property and investments	259,305	264,738
Utility Plant:		
Plant in service and plant held for future use	5,196,375	5,120,167
Less accumulated depreciation and amortization	1,748,487	1,705,520
	3,447,888	3,414,647
Construction work in progress	140,409	132,420
Nuclear fuel, net of accumulated amortization of \$43,218 and \$36,411	88,961	80,067
Net utility plant	3,677,258	3,627,134
Deferred Charges and Other Assets:		
Regulatory assets	475,366	482,155
Goodwill	278,297	278,297
Other deferred charges	91,572	89,470
Total deferred charges and other assets	845,235	849,922
	\$5,252,589	\$5,204,613

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)

	June 30, 2012	December 31, 2011
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$207,000	\$82,700
Current installments of long-term debt	2,387	2,387
Accounts payable	74,227	103,139
Customer deposits	17,350	15,971
Accrued interest and taxes	48,755	53,114
Commodity derivative instruments	1,742	1,632
Dividends declared	132	10,089
Current portion of accumulated deferred income taxes	9,080	9,080
Other current liabilities	90,526	95,156
Total current liabilities	451,199	373,268
Long-term Debt	1,671,958	1,671,626
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	670,608	645,099
Accumulated deferred investment tax credits	14,658	15,771
Regulatory liabilities	431,454	418,098
Asset retirement obligations	82,503	79,233
Accrued pension liability and postretirement benefit cost	133,490	224,766
Commodity derivative instruments	5,156	2,437
Other deferred credits	99,291	106,378
Total deferred credits and other liabilities	1,437,160	1,491,782
Total liabilities	3,560,317	3,536,676
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements (\$100 stated value; 10,000,000 shares authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR common stockholders' equity:		
Common stock outstanding (no par value; 120,000,000 shares authorized; issued and outstanding 79,653,624 shares)	1,186,985	1,193,191
Accumulated other comprehensive income (loss), net of income taxes	(62,628	) (66,856)
Retained earnings	474,692	447,650
Total PNMR common stockholders' equity	1,599,049	1,573,985
Non-controlling interest in Valencia	81,694	82,423
Total equity	1,680,743	1,656,408
	\$5,252,589	\$5,204,613

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

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

	Attributable to PNMR			Total PNMR Common Stockholder's Equity	Non- controlling Interest in Valencia	Total Equity
	Common Stock	AOCI	Retained Earnings			
	(In thousands)					
Balance at December 31, 2011	\$1,193,191	\$(66,856)	\$447,650	\$1,573,985	\$82,423	\$1,656,408
Proceeds from stock option exercise	5,410	—	—	5,410	—	5,410
Purchases to satisfy awards of common stock	(12,674)	—	—	(12,674)	—	(12,674)
Excess tax (shortfall) from stock-based payment arrangements	(377)	—	—	(377)	—	(377)
Stock based compensation expense	1,435	—	—	1,435	—	1,435
Valencia's transactions with its owner	—	—	—	—	(7,449)	(7,449)
Net earnings before subsidiary preferred stock dividends	—	—	38,856	38,856	6,720	45,576
Subsidiary preferred stock dividends	—	—	(264)	(264)	—	(264)
Total other comprehensive income	—	4,228	—	4,228	—	4,228
Dividends declared on common stock	—	—	(11,550)	(11,550)	—	(11,550)
Balance at June 30, 2012	\$1,186,985	\$(62,628)	\$474,692	\$1,599,049	\$81,694	\$1,680,743

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 (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Electric Operating Revenues	\$260,094	\$239,234	\$510,510	\$473,472
Operating Expenses:				
Cost of energy	83,235	81,497	163,792	170,711
Administrative and general	40,657	38,580	79,706	72,916
Energy production costs	46,053	47,127	91,182	95,779
Regulatory disallowances	—	17,479	—	17,479
Depreciation and amortization	23,946	22,897	47,580	46,632
Transmission and distribution costs	11,664	11,902	22,507	23,509
Taxes other than income taxes	7,870	9,209	16,969	17,740
Total operating expenses	213,425	228,691	421,736	444,766
Operating income	46,669	10,543	88,774	28,706
Other Income and Deductions:				
Interest income	3,429	4,225	6,764	8,282
Gains (losses) on investments held by NDT	(795	) 5,894	3,660	11,797
Other income	1,370	441	3,203	742
Other deductions	(1,564	) (1,851	) (2,868	) (2,837
Net other income (deductions)	2,440	8,709	10,759	17,984
Interest Charges	18,928	18,027	37,422	36,107
Earnings before Income Taxes	30,181	1,225	62,111	10,583
Income Taxes (Benefit)	9,841	(872	) 20,694	1,522
Net Earnings	20,340	2,097	41,417	9,061
(Earnings) Attributable to Valencia Non-controlling Interest	(3,455	) (3,470	) (6,720	) (6,652
Net Earnings (Loss) Attributable to PNM	16,885	(1,373	) 34,697	2,409
Preferred Stock Dividends Requirements	(132	) (132	) (264	) (264
Net Earnings (Loss) Available for PNM Common Stock	\$16,753	\$(1,505	) \$34,433	\$2,145

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 (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Net Earnings	\$20,340	\$2,097	\$41,417	\$9,061
Other Comprehensive Income (Loss):				
Unrealized Gain on Investment Securities:				
Unrealized holding gains arising during the period, net of income tax (expense) of \$(3,022), \$(5,827), \$(10,437), and 4,611 \$(9,280)		8,892	15,924	14,161
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of \$4,992, \$7,892, \$8,538 and \$9,962	(7,617	) (12,043	) (13,028	) (15,201
Change in unrecognized amounts of pension and postretirement benefits, net of income tax (expense) benefit of \$(476), \$(423), \$(952), and \$432		646	1,454	(659
Fair Value Adjustment for Cash Flow Hedges:				
Reclassification adjustment for (gains) losses included in net earnings, net of income tax expense (benefit) of \$0, \$0, \$0, and \$(11)		—	—	17
Total Other Comprehensive Income (Loss)	(2,279	) (2,505	) 4,350	(1,682
Comprehensive Income (Loss)	18,061	(408	) 45,767	7,379
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(3,455	) (3,470	) (6,720	) (6,652
Comprehensive Income (Loss) Attributable to PNM	\$14,606	\$(3,878	) \$39,047	\$727

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)

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	\$41,417	\$9,061
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	63,303	63,077
Deferred income tax expense	21,067	8,784
Net unrealized (gains) losses on derivatives	1,978	(1,453)
Realized (gains) on investments held by NDT	(3,660)	(11,797)
Regulatory disallowances	—	17,479
Other, net	(545)	) 874
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(17,867)	) (8,796)
Materials, supplies, and fuel stock	(5,152)	) 830
Other current assets	(10,885)	) 7,467
Other assets	(5,868)	) 3,301
Accounts payable	(7,112)	) (2,791)
Interest and taxes	61,503	(4,196)
Other current liabilities	10,095	6,730
Proceeds from governmental grants	21,567	—
Other liabilities	(78,105)	) (22,339)
Net cash flows from operating activities	91,736	66,231
Cash Flows From Investing Activities:		
Utility plant additions	(111,344)	) (125,939)
Proceeds from sales of NDT investments	45,787	94,890
Purchases of NDT investments	(47,313)	) (96,410)
Return of principal on PVNGS lessor notes	12,632	15,374
Other, net	1,372	1,037
Net cash flows from investing activities	(98,866)	) (111,048)

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)

	Six Months Ended June 30,	
	2012	2011
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	20,400	83,000
Valencia's transactions with its owner	(7,449)	(7,232)
Proceeds from transmission interconnection arrangements	983	589
Dividends paid	(17,944)	(43,949)
Other, net	1	2,558
Net cash flows from financing activities	(4,009)	34,966
Change in Cash and Cash Equivalents	(11,139)	(9,851)
Cash and Cash Equivalents at Beginning of Period	12,307	10,336
Cash and Cash Equivalents at End of Period	\$1,168	\$485
Supplemental Cash Flow Disclosures:		
Interest paid, net of amounts capitalized	\$36,286	\$35,081
Income taxes paid (refunded), net	\$(63,114)	\$(1,539)

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)

	June 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$1,168	\$12,307
Accounts receivable, net of allowance for uncollectible accounts of \$1,931 and \$1,778	67,910	68,661
Unbilled revenues	65,756	48,928
Other receivables	44,218	65,465
Affiliate receivables	8,893	8,912
Materials, supplies, and fuel stock	56,673	51,521
Regulatory assets	44,219	44,480
Commodity derivative instruments	4,659	3,713
Income taxes receivable	66,117	128,858
Other current assets	36,376	26,776
Total current assets	395,989	459,621
Other Property and Investments:		
Investment in PVNGS lessor notes	67,400	79,049
Investments held by NDT	178,834	168,851
Other investments	1,525	2,900
Non-utility property	976	976
Total other property and investments	248,735	251,776
Utility Plant:		
Plant in service and plant held for future use	4,062,329	4,009,873
Less accumulated depreciation and amortization	1,333,994	1,305,754
	2,728,335	2,704,119
Construction work in progress	120,092	116,030
Nuclear fuel, net of accumulated amortization of \$43,218 and \$36,411	88,961	80,067
Net utility plant	2,937,388	2,900,216
Deferred Charges and Other Assets:		
Regulatory assets	353,110	352,387
Goodwill	51,632	51,632
Other deferred charges	82,521	79,655
Total deferred charges and other assets	487,263	483,674
	\$4,069,375	\$4,095,287

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)

	June 30, 2012	December 31, 2011
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	\$86,400	\$66,000
Accounts payable	57,372	82,619
Affiliate payables	17,092	14,592
Customer deposits	17,350	15,971
Accrued interest and taxes	30,874	32,111
Commodity derivative instruments	1,742	1,632
Dividends declared	132	132
Current portion of accumulated deferred income taxes	16,563	16,562
Other current liabilities	67,387	60,944
Total current liabilities	294,912	290,563
Long-term Debt	1,215,560	1,215,540
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	529,370	504,419
Accumulated deferred investment tax credits	14,658	15,771
Regulatory liabilities	384,336	373,703
Asset retirement obligations	81,667	78,425
Accrued pension liability and postretirement benefit cost	128,857	213,688
Commodity derivative instruments	5,156	2,437
Other deferred credits	88,444	94,700
Total deferred credits and liabilities	1,232,488	1,283,143
Total liabilities	2,742,960	2,789,246
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock		
without mandatory redemption requirements (\$100 stated value; 10,000,000 authorized; issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity:		
Common stock outstanding (no par value; 40,000,000 shares authorized; issued and outstanding 39,117,799 shares)	1,061,776	1,061,776
Accumulated other comprehensive income (loss), net of income taxes	(62,448	) (66,798)
Retained earnings	233,864	217,111
Total PNM common stockholder's equity	1,233,192	1,212,089
Non-controlling interest in Valencia	81,694	82,423
Total equity	1,314,886	1,294,512
	\$4,069,375	\$4,095,287

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	Non-	Total
Common	AOI	Retained	Common	controlling	Equity
Stock		Earnings	Stockholder's	Interest in	
			Equity	Valencia	