Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

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

For the transition period from _________ to _________

Name of Registrant, State of Incorporation, Address Of Principal Executive Offices, Telephone Number, Commission File No., IRS Employer Identification No.

PNM Resources, Inc.
(A New Mexico Corporation)
414 Silver Ave. SW
Albuquerque, New Mexico 87102-3289
Telephone Number - (505) 241-2700
Commission File No. - 001-32462
IRS Employer Identification No. - 85-0468296

Public Service Company of New Mexico
(A New Mexico Corporation)
414 Silver Ave. SW
Albuquerque, New Mexico 87102-3289
Telephone Number - (505) 241-2700
Commission File No. - 001-06986
IRS Employer Identification No. - 85-0019030

Texas-New Mexico Power Company
(A Texas Corporation)
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067
Telephone Number - (972) 420-4189
Commission File No. - 002-97230
IRS Employer Identification No. - 75-0204070

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol(s)	Name of each exchange on which registered
PNM Resources, Inc.	Common Stock, no par value	PNM	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of each class
Public Service Company of New Mexico	1965 Series, 4.58% Cumulative Preferred Stock ($100 stated value without sinking fund)

Indicate by check mark whether each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

PNM Resources, Inc. (“PNMR”)	Yes	☑	No	☐
Public Service Company of New Mexico (“PNM”)	Yes	☐	No	☑
Texas-New Mexico Power Company (“TNMP”)	Yes	☐	No	☑

Indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PNMR	Yes	☐	No	☑
PNM	Yes	☐	No	☑
TNMP	Yes	☑	No	☐

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.

PNMR	Yes	☑	No	☐
PNM	Yes	☑	No	☐
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 every Interactive Data File required to be submitted 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 such files).

PNMR	Yes	☑	No	☐
PNM	Yes	☑	No	☐
TNMP	Yes	☑	No	☐

Indicate by check mark whether each 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	Smaller reporting company	Emerging growth company
PNMR	☑	☐	☐	☐	☐
PNM	☐	☐	☑	☐	☐
TNMP	☐	☐	☑	☐	☐

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 the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

PNMR	Yes	☑	No	☐
PNM	Yes	☐	No	☑
TNMP	Yes	☐	No	☑

Indicate by check mark whether the registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of February 18, 2022, shares of common stock outstanding were:

PNMR	85,834,874
PNM	39,117,799
TNMP	6,358

On June 30, 2021, the aggregate market value of the voting common stock held by non-affiliates of PNMR as computed by reference to the New York Stock Exchange composite transaction closing price of $48.77 per share reported by The Wall Street Journal, was $4,186,166,805. PNM and TNMP have no common stock held by non-affiliates.

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference into Part III of this report:

Proxy Statement to be filed by PNMR with the SEC pursuant to Regulation 14A relating to the annual meeting of shareholders of PNMR to be held on May 10, 2022.

This combined Form 10-K 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-K 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-K that relate to each other registrant are not incorporated by reference therein.

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

INDEX

GLOSSARY

Definitions:

ABCWUA	Albuquerque Bernalillo County Water Utility Authority
ABO	Accumulated Benefit Obligation
ACE Rule	Affordable Clean Energy Rule
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
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
Anaheim	City of Anaheim, California
AOCI	Accumulated Other Comprehensive Income
APBO	Accumulated Postretirement Benefit Obligation
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
Avangrid	Avangrid, Inc., a New York corporation
BART	Best Available Retrofit Technology
BDT	Balanced Draft Technology
Board	Board of Directors of PNMR
BSER	Best system of emission reduction technology
BTU	British Thermal Unit
CAA	Clean Air Act
CAISO	California Independent System Operator
Carbon Pollution Standards	Carbon Pollution Standards established by the EPA on August 3, 2015
Casa Mesa Wind	Casa Mesa Wind Energy Center
CCAE	Coalition for Clean Affordable Energy
CCN	Certificate of Convenience and Necessity
CCR	Coal Combustion Residuals
CFIUS	Committee on Foreign Investment in the United States
CFRE	Citizens for Fair Rates and the Environment
CIAC	Contributions in Aid of Construction
CO_2	Carbon Dioxide
COVID-19	Novel coronavirus global pandemic
CSA	Coal Supply Agreement
CTC	Competition Transition Charge
DC Circuit	United States Court of Appeals for the District of Columbia Circuit
DCOS	TNMP's applications for a distribution cost recovery factor
DOE	United States Department of Energy
Effective Time	The time the Merger is consummated
EIM	Western Energy Imbalance Market developed and operated by CAISO
ELG	Effluent Limitation Guidelines
End Date	The date at which the Merger Agreement may be terminated if the Effective Time has not yet occurred; January 20, 2022, subsequently extended to April 20, 2023.
Energy Transition Charge	Rate rider established to collect non-bypassable customer charges for repayment of the Securitized Bonds
EPA	United States Environmental Protection Agency
EPE	El Paso Electric Company
ERCOT	Electric Reliability Council of Texas
ESG	Environmental, Social, and Governance principles
ETA	The New Mexico Energy Transition Act
EUEA	The New Mexico Efficient Use of Energy Act
Exchange Act	Securities Exchange Act of 1934
Farmington	The City of Farmington, New Mexico
FASB	Financial Accounting Standards Board
FAST Act	SEC's modernization and simplification of Regulation S-K
FCC	Federal Communications Commission

FERC	Federal Energy Regulatory Commission
Four Corners	Four Corners Power Plant
Four Corners Abandonment Application	PNM's January 8, 2021 application for approval for the abandonment of Four Corners and issuance of a securitized financing order
Four Corners CSA	Four Corners' coal supply contract with NTEC
Four Corners Purchase and Sale Agreement	PNM's pending sale of its 13% ownership interest in Four Corners to NTEC
FPPAC	Fuel and Purchased Power Adjustment Clause
FTC	Federal Trade Commission
FTY	Future Test Year
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas Emissions
GWh	Gigawatt hours
HSR	Hart-Scott Rodino Antitrust Improvement Act of 1976
IBEW	International Brotherhood of Electrical Workers
Iberdrola	Iberdrola, S.A., a corporation organized under the laws of the Kingdom of Spain, and 81.5% owner of Avangrid
INDC	Intended Nationally Determined Contribution
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
Joint Applicants	PNM, PNMR, Merger Sub, Avangrid and Iberdrola, S.A.
kV	Kilovolt
KW	Kilowatt
KWh	Kilowatt Hour
La Joya Wind I	La Joya Wind Facility generating 166 MW of output that became operational in February 2021
La Joya Wind II	La Joya Wind Facility generating 140 MW of output that became operational in June 2021
La Luz	La Luz Generating Station
Leased Interest	Leased capacity in PVNGS Unit 1 and Unit 2
Leeward	Leeward Renewable Energy Development, LLC
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
Merger	The merger of Merger Sub with and into PNMR pursuant to the Merger Agreement, with PNMR surviving the Merger as a direct, wholly-owned subsidiary of Avangrid
Merger Agreement	The Agreement and Plan of Merger, dated October 20, 2020, between PNMR, Avangrid and Merger Sub, as amended by the amendment to the Merger Agreement dated January 3, 2022
Merger Sub	NM Green Holdings, Inc., a New Mexico corporation and wholly-owned subsidiary of Avangrid which will merge with and into PNMR at the effective time of the Merger (defined below)
Meta	Meta Platform, Inc., formerly known as Facebook Inc.
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trusts for PVNGS
NEE	New Energy Economy
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 AREA	New Mexico Affordable Reliable Energy Alliance, formerly New Mexico Industrial Energy Consumers Inc.

NM Capital	NM Capital Utility Corporation, an unregulated wholly-owned subsidiary of PNMR, now known as New Mexico PPA Corporation
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
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
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NTEC	Navajo Transitional Energy Company, LLC, an entity owned by the Navajo Nation
OATT	Open Access Transmission Tariff
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
Paris Agreement	A legally binding international treaty on climate change adopted on December 12, 2015
Pattern Wind	Pattern New Mexico Wind, LLC, an affiliate of Western Spirit and Pattern Development
PBO	Projected Benefit Obligation
PCRBs	Pollution Control Revenue Bonds
PM	Particulate Matter
PNM	Public Service Company of New Mexico and Subsidiaries
PNM 2017 New Mexico Credit Facility	PNM's $40.0 Million Unsecured Revolving Credit Facility
PNM 2017 Term Loan	PNM's $200.0 Million Unsecured Term Loan
PNM 2019 $40.0 Million Term Loan	PNM's $40.0 Million Unsecured Term Loan
PNM 2019 $250.0 Million Term Loan	PNM's $250.0 Million Unsecured Term Loan
PNM 2020 Fixed Rate PCRBs	PNM's $302.5 million PCRBs remarketed on July 22, 2020
PNM 2020 Note Purchase Agreement	PNM's Agreement for the sale of PNM 2020 SUNs
PNM 2020 SUNs	PNM's $200.0 million Senior Unsecured Notes issued on April 30, 2020
PNM 2020 Term Loan	PNM's $250.0 million Unsecured Term Loan issued on April 15, 2020, of which $100.0 million was repaid on April 30, 2020
PNM 2021 Fixed Rate PCRBs	PNM's $100.3 million PCRBs remarketed on October 1, 2021
PNM 2021 Note Purchase Agreement	PNM's Agreement for the sale of PNM's 2021 SUNs
PNM 2021 SUNs	PNM's $160.0 Million Senior Unsecured Notes issued on July 14, 2021
PNM 2021 Term Loan	PNM's $75.0 Million 18-month Unsecured Term Loan that matures on December 18, 2022
PNM Floating Rate PCRBs	PNM's $100.3 million PCRBs remarketed on July 1, 2020
PNM Revolving Credit Facility	PNM's $400.0 Million Unsecured Revolving Credit Facility
PNM September 2021 Note Purchase Agreement	PNM's Agreement for the sale of PNM's September 2021 SUNs
PNM September 2021 SUNs	PNM's $150.0 Million Senior Unsecured Notes issued on December 2, 2021
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2018 SUNS	PNMR's $300.0 Million Senior Unsecured Notes issued on March 9, 2018
PNMR 2018 Two-Year Term Loan	PNMR's $50.0 Million Two-Year Unsecured Term Loan

PNMR 2019 Term Loan	PNMR's $150.0 Million Unsecured Term Loan
PNMR 2020 Forward Equity Sale Agreements	PNMR's Block Equity Sale of 6.2 million Shares of PNMR Common Stock with Forward Sales Agreement
PNMR 2020 Term Loan	PNMR's $150.0 million Unsecured Term Loan that matures on January 31, 2022
PNMR 2020 Delayed-Draw Term Loan	PNMR's $300.0 million Unsecured Delayed-Draw Term Loan that matures on January 31, 2022
PNMR 2021 Delayed-Draw Term Loan	PNMR's $1.0 Billion Unsecured Delayed-Draw Term Loan that matures on May 18, 2023
PNMR Development	PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR
PNMR Development Revolving Credit Facility	PNMR Development's $40.0 million Unsecured Revolving Credit Facility
PNMR Development Term Loan	PNMR Development's $65.0 Million Unsecured Term Loan that matures on January 31, 2022
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
PVNGS Leased Interest Abandonment Application	Application with the NMPRC requesting approval for the decertification and abandonment of 114MW of leased PVNGS capacity
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
RECs	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, 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
SCE	Southern California Edison Company
SCPPA	Southern California Public Power Authority
SEC	United States Securities and Exchange Commission
Securitized Bonds	Energy transition bonds
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SJGS Abandonment Application	PNM's July 1, 2019 consolidated application seeking NMPRC approval to retire PNM's share of SJGS in 2022, for related replacement generating resources, and for the issuance of securitized bonds under the ETA
SJGS CSA	San Juan Generating Station Coal Supply Agreement
SO_2	Sulfur Dioxide
SRP	Salt River Project
SUNs	Senior Unsecured Notes
Tax Act	Federal tax reform legislation enacted on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act
TCEQ	Texas Commission on Environmental Quality
TCOS	Transmission Cost of Service
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TEP	Transportation Electrification Program

TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2018 Rate Case	TNMP's General Rate Case Application Filed May 30, 2018
TNMP 2018 Term Loan	TNMP's $35.0 Million Unsecured Term Loan
TNMP 2019 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2019 Bond Purchase Agreement
TNMP 2019 Bond Purchase Agreement	TNMP's Agreement to Issue an Aggregate of $305.0 Million in First Mortgage Bonds in 2019
TNMP 2020 Bonds	TNMP's First Mortgage Bonds issued on April 24, 2020 under the TNMP 2020 Bond Purchase Agreement
TNMP 2020 Bond Purchase Agreement	TNMP's Agreement for the sale of TNMP's 2020 First Mortgage Bonds
TNMP 2021 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2021 Bond Purchase Agreement
TNMP 2021 Bond Purchase Agreement	TNMP's Agreement for the sale of TNMP's 2021 First Mortgage Bonds
TNMP FMBs	TNMP's aggregate $750.0 Million of outstanding 2014 to 2020 First Mortgage Bonds
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.
TSAs	Transmission Service Agreements
Tucson	Tucson Electric Power Company
UAMPS	Utah Associated Municipal Power Systems
U.S.	The Unites States of America
US Supreme Court	United States Supreme Court
Valencia	Valencia Energy Facility
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
Western Spirit Line	An approximately 150-mile 345-kV transmission line that PNM purchased in December 2021
Westmoreland	Westmoreland Coal Company
WFB LOC Facility	Letter of credit arrangements with Wells Fargo Bank, N.A., entered into in August 2020
WRA	Western Resource Advocates
WSJ	Westmoreland San Juan, LLC, an indirect wholly-owned subsidiary of Westmoreland
WSJ LLC	Westmoreland San Juan, LLC, a subsidiary of Westmoreland Mining Holdings, LLC, and current owner of SJCC
WSPP	Western Systems Power Pool

PART I

ITEM 1. BUSINESS

THE COMPANY

Overview

PNMR is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. PNMR's electric utilities are PNM and TNMP. PNMR is focused on achieving three key financial objectives:

- Earning authorized returns on regulated businesses
- Delivering at or above industry-average earnings and dividend growth
- Maintaining investment grade credit ratings

In conjunction with these objectives, PNM and TNMP are dedicated to:

- Maintaining strong employee safety, plant performance, and system reliability
- Delivering a superior customer experience
- Demonstrating environmental stewardship in business operations, including transitioning to an emissions-free generating portfolio by 2040
- Supporting the communities in their service territories

PNMR's success in accomplishing its financial objectives is highly dependent on two key factors: fair and timely regulatory treatment for its utilities and the utilities' strong operating performance. The Company has multiple strategies in place to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: safety, operational excellence, and customer satisfaction, while engaging stakeholders to build productive relationships. The Company believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and supporting economic growth. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability and to deliver a safe and superior customer experience.

Both PNM and TNMP seek cost recovery for their investments through general rate cases, periodic cost of service filings, and various rate riders. PNM filed a general rate case with the NMPRC in December 2016 and the NMPRC issued a rate order in that case in January 2018. TNMP filed a general rate case in May 2018 and the PUCT issued an order in that case in December 2018. Additional information about rate filings is provided in Operations and Regulation below and in Note 17.

PNMR's common stock trades on the New York Stock Exchange under the symbol PNM. PNMR was incorporated in the State of New Mexico in 2000.

Other Information

These filings for PNMR, PNM, and TNMP include disclosures for each entity. For discussion purposes, 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. A reference to "MD&A" in this report refers to Part II, Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations. A reference to a "Note" refers to the accompanying Notes to Consolidated Financial Statements.

Financial information relating to amounts of revenue, net earnings, and total assets of reportable segments is contained in MD&A and Note 2.

Merger

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

Pursuant to the Merger Agreement, each issued and outstanding share of the common stock of PNMR (other than (i) the issued shares of PNMR common stock that are owned by Avangrid, Merger Sub, PNMR or any wholly-owned subsidiary of Avangrid or PNMR, which will be automatically cancelled at the Effective Time and (ii) shares of PNMR common stock outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of, or consented in writing to, the Merger who is entitled to, and who has demanded, payment for fair value of such shares) at the Effective Time will be converted into the right to receive $50.30 in cash.

The Merger Agreement provided that it may be terminated if the Effective Time shall not have occurred by the End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. On December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger and the approval of the Merger from the NMPRC has not yet been obtained.

In light of the NMPRC December 8, 2021 ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid each agreed to extend the End Date to April 20, 2023. The parties acknowledge in the Amendment that the required regulatory approval from the NMPRC has not been obtained and that the parties have reasonably determined that such outstanding approval will not be obtained by April 20, 2022. As amended, the Merger Agreement may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Merger is not consummated by April 20, 2023.

With respect to the NMPRC proceedings, on April 20, 2021, the Joint Applicants, the NMAG, WRA, the International Brotherhood of Electrical Workers Local 611, Dine, Nava Education Project, the San Juan Citizens Alliance and To Nizhoni Ani, had entered into a stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. Subsequently, CCAE, Onward Energy Holdings LLC, Walmart Inc., Interwest Energy Alliance, M-S-R Power and the Incorporated County of Los Alamos joined an amended stipulation. An evidentiary hearing was held from August 11 - 19, 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal.

With respect to other regulatory proceedings related to the Merger, in January 20, 2021, the FTC notified PNMR and Avangrid that early termination of the waiting period under the HSR Act in connection with the Merger was granted. In February 2021, CFIUS completed its review of the Merger and concluded that there are no unresolved national security concerns with respect to the Merger. In March 2021, PNMR and Avangrid received FCC approval of the transfer of operating licenses related to the Merger. In April 2021, FERC issued an order authorizing the Merger. In May 2021, the PUCT issued an order authorizing the Merger and the NRC approved the Merger. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid are required to make a new filing under the HSR Act and request extensions of the previous granted approvals from the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. No additional filings will be required with CFIUS, FERC or the PUCT.

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approvals, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and is in full force and effect and related filings have been made with the NMPRC.

WEBSITES

The PNMR website, www.pnmresources.com, is an important source of Company information. New or updated information for public access is routinely posted. PNMR encourages analysts, investors, and other interested parties to register on the website to automatically receive Company information by e-mail. This information includes news releases, notices of webcasts, and filings with the SEC. Participants will not receive information that was not requested and can unsubscribe at any time.

Our corporate websites are:

- PNMR: www.pnmresources.com
- PNM: www.pnm.com
- TNMP: www.tnmp.com

PNMR's corporate website (www.pnmresources.com) includes a dedicated section providing key environmental and other sustainability information related to PNM's and TNMP's operations and other information that collectively demonstrates the Company's commitment to ESG principles. This information highlights plans for PNM to be coal-free by 2024 (subject to regulatory approval) and to have an emissions-free generating portfolio by 2040.

The contents of these websites are not a part of this Form 10-K. The SEC filings of PNMR, PNM, and TNMP, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge on the PNMR website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Reports filed with the SEC are available on its website, www.sec.gov. These reports are also available in print upon request from PNMR free of charge.

Also available on the Company's website at https://www.pnmresources.com/esg-commitment/governance.aspx and in print upon request from any shareholder are PNMR's:

- Corporate Governance Principles
- Code of Ethics (*Do the Right Thing – Principles of Business Conduct*)
- Charters of the Audit and Ethics Committee, Nominating and Governance Committee, Compensation and Human Resources Committee, and Finance Committee
- Restated Articles of Incorporation and Bylaws

The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) on its website.

OPERATIONS AND REGULATION

Regulated Operations

Electric power demand is generally seasonal. Power consumption in both New Mexico and Texas peaks during the hot summer months with revenues traditionally peaking during that period. The seasonality of demand for electricity in turn impacts the timing of plant maintenance and operating expense throughout the year. As a result, the quarterly operating results of PNMR and its operating subsidiaries vary throughout the year. In addition, unusually mild or extreme weather patterns may cause the overall operating results of the Company to fluctuate.

PNM

Operational Information

PNM is an electric utility that provides electric generation, transmission, and distribution service to its rate-regulated customers. PNM was incorporated in the State of New Mexico in 1917. PNM's retail electric service territory covers a large area of north-central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. Service to retail electric customers is subject to the jurisdiction of the NMPRC. The largest retail electric customer served by PNM accounted for 3.1% of its revenues for the year ended December 31, 2021. Other services provided by PNM include wholesale transmission services to third parties. Regulation encompasses the utility's electric rates, service, accounting, issuances of securities, construction of major new generation, abandonment of existing generation, types of generation resources, transmission and distribution facilities, and other matters. See Notes 16 and 17 for additional information on rate cases and other regulatory matters.

Weather-normalized retail electric KWh sales increased by 0.3% in 2021 and decreased by 0.8% in 2020. The system peak demands for retail and firm-requirements customers were as follows:

System Peak Demands

	2021	2020	2019
		(Megawatts)	
Summer	1,968	1,974	1,937
Winter	1,518	1,460	1,440

PNM holds long-term, non-exclusive franchise agreements for its electric retail operations, with varying expiration dates. These franchise agreements allow the utility to access public rights-of-way for placement of its electric facilities. Franchise agreements have expired in some areas PNM serves. Because PNM remains obligated under New Mexico state law to provide service to customers in these areas, the expirations should not have a material adverse impact. The Albuquerque, Rio Rancho, and Santa Fe metropolitan areas accounted for 41.2%, 7.2%, and 5.7% of PNM's 2021 revenues and no other franchise area represents more than 5%. PNM also earns revenues from its electric retail operations in its service areas that do not require franchise agreements.

PNM owns 3,426 miles of electric transmission lines that interconnect with other utilities in New Mexico, Arizona, Colorado, Texas, and Utah. New Mexico ranks third in the Nation for energy potential from solar power according to the Nebraska Department of Energy & Energy Sun Index and ranks third in the Nation for land-based wind capacity according to the U.S. Office of Energy Efficiency and Renewable Energy. PNM owns transmission capacity in an area of eastern New Mexico with large wind generation potential and in recent years there has been substantial interest by developers of wind generation to interconnect to PNM's transmission system in this area. PNM invested approximately $285 million for the expansion of PNM's transmission system reflecting the purchase of the Western Spirit Line to provide additional service to transmit power from these generation resources to customers in New Mexico and California.

PNM began participating in the EIM on April 1, 2021 which generated $12.5 million of cost savings to customers for the year. The NMPRC granted PNM authority to seek recovery of costs associated with joining the EIM in a future general rate case and to pass the benefits of participating in EIM to customers through the FPPAC. See Note 17. PNM also engages in activities to optimize its existing jurisdictional assets and long-term power agreements through spot market, hour-ahead, day-ahead, week-ahead, and other sales of excess generation not required to fulfill retail load and contractual commitments. These activities are credited to customers through PNM's FPPAC.

Regulatory Activities

NMPRC Regulated Retail Rate Proceedings

The rates PNM charges retail customers are subject to traditional rate regulation by the NMPRC. In December 2016, PNM filed the NM 2016 Rate Case with the NMPRC. After extensive settlement negotiations and public proceedings, the NMPRC issued a Revised Order Partially Adopting Certification of Stipulation dated January 17, 2018. The key terms of that order include an increase in base non-fuel revenues of $10.3 million, which includes a reduction to reflect the impact of the decrease in the federal corporate income tax rate and updates to PNM's cost of debt (aggregating an estimated $47.6 million annually), a ROE of 9.575%, a requirement to return to customers over a three-year period the benefit of the reduction in the New Mexico corporate income tax rate, a disallowance of PNM's ability to collect an equity return on certain investments aggregating $148.1 million at Four Corners, and a requirement to consider the prudency of PNM's decision to continue its participation in Four Corners in PNM's next general rate case filing. In accordance with the NMPRC's final order, PNM implemented 50% of the approved rate increase for service rendered beginning February 1, 2018 and the rest of the increase for service rendered on January 1, 2019.

PNM has a NMPRC-approved rate rider to collect costs for renewable energy procurements that are not otherwise being collected in rates. If PNM's earned return on jurisdictional equity in a calendar year, adjusted for weather and other items not representative of normal operation, exceeds the NMPRC-approved rate by 0.5%, the rider provides that PNM would refund the excess to customers during the following year. PNM did not exceed the limitation in 2020 and does not expect to exceed the limitation in 2021. The NMPRC has also approved riders designed to allow PNM to bill and collect substantially all of fuel and purchased power costs and costs of approved energy efficiency initiatives.

FERC Regulated Wholesale Transmission

Rates charged to wholesale electric transmission customers, other than customers on the Western Spirit Line described below, are based on a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the formula rate for the following year. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate.

In May 2019, PNM filed an application with FERC requesting approval to purchase and provide transmission service on the Western Spirit Line. All necessary approvals were obtained. In December 2021, PNM completed the purchase of the Western Spirit Line and service under related transmission agreements was initiated using an incremental rate that is separate from the formula rate mechanism described above. See Note 17.

The Energy Transition Act ("ETA")

The ETA became effective on June 14, 2019. As discussed below, the ETA amends the REA and requires utilities operating in New Mexico to provide 100% zero-carbon energy by 2045. The ETA also provides for a transition from fossil-fueled generating resources to renewable and other carbon-free resources by allowing utilities to issue to qualified investors securitized bonds, or "energy transition bonds," related to the retirement of certain coal-fired generating facilities. Proceeds from the energy transition bonds must be used to provide utility service to customers and for other costs as defined by the ETA. On January 29, 2020, the NM Supreme Court issued a ruling requiring the NMPRC apply the ETA to all aspects of PNM's SJGS Abandonment Application. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the related securitized financing under the ETA. On May 8, 2020, CFRE and NEE filed a joint statement of issues with the NM Supreme Court which asserts that the NMPRC improperly applied the ETA and that the ETA violates the New Mexico Constitution. On January 10, 2021, the NM Supreme Court issued its decision rejecting CFRE's and NEE's constitutional challenges to the ETA and affirmed the NMPRC final order.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's 13% share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. As ordered by the hearing examiner in the case, PNM filed an amended application and testimony on March 15, 2021. The amended application provided additional information to support PNM's request, provided background on the NMPRC's consideration of the prudence of PNM's investment in Four Corners in the NM 2016 Rate Case and explained how the proposed sale and abandonment provides a net public benefit. On December 15, 2021, the NMPRC issued a final order denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application.

PNM expects the ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirements of SJGS in 2022 and the Four Corners exit in 2024. PNM cannot predict the full impact of the ETA or the outcome of its pending and potential future generating resource abandonment and replacement resource filings with the NMPRC. See additional discussion of the ETA and PNM's SJGS and Four Corners Abandonment Applications in Notes 16 and 17.

Renewable Energy

The REA was enacted to encourage the development of renewable energy in New Mexico. The ETA amended the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 20% by 2020, 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, provides utilities recovery of costs incurred consistent with approved procurement plans, and sets a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. PNM files required renewable energy plans with the NMPRC annually and makes procurements consistent with the plans approved by the NMPRC. See Note 17.

TNMP

Operational Information

TNMP is a regulated utility operating and incorporated in the State of Texas. TNMP's predecessor was organized in 1925. TNMP provides transmission and distribution services in Texas under the provisions of TECA and the Texas Public Utility Regulatory Act. TNMP is subject to traditional cost-of-service regulation with respect to rates and service under the jurisdiction of the PUCT and certain municipalities. TNMP's transmission and distribution activities are solely within ERCOT, which is the independent system operator responsible for maintaining reliable operations for the bulk electric power supply system in most of Texas. Therefore, TNMP is not subject to traditional rate regulation by FERC. TNMP serves a market of small to medium sized communities, most of which have populations of less than 50,000. TNMP is the exclusive provider of transmission and distribution services in most areas it serves.

TNMP's service territory consists of three non-contiguous areas. One portion of this territory extends from Lewisville, which is approximately 10 miles north of the Dallas-Fort Worth International Airport, eastward to municipalities near the Red River, and to communities north, west, and south of Fort Worth. The second portion of its service territory includes the area along the Texas Gulf Coast between Houston and Galveston, and the third portion includes areas of far west Texas between Midland and El Paso.

TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service area. See Notes 16 and 17 for additional information on rate cases and other regulatory matters.

In mid-February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail the delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. For additional information on the Texas winter storm, see Note 16.

For its volumetric load consumers billed on KWh usage, TNMP experienced a decrease in weather normalized retail KWh sales of 0.8% in 2021 and an increase of 2.9% in 2020. For its weather normalized demand-based load, excluding retail transmission consumers, TNMP experienced an increase of 1.8% in 2021 and a decrease of 1.3% in 2020. As of December 31, 2021, 110 active REPs receive transmission and distribution services from TNMP. In 2021, the three largest REPs accounted for 23%, 19%, and 10% of TNMP's operating revenues. No other consumer accounted for more than 10% of revenues.

TNMP holds long-term, non-exclusive franchise agreements for its electric transmission and distribution services. These agreements have varying expiration dates and some have expired. TNMP intends to negotiate and execute new or amended franchise agreements with municipalities where the agreements have expired or will be expiring. Since TNMP is the exclusive provider of transmission and distribution services in most areas that it serves, the need to renew or renegotiate franchise agreements should not have a material adverse impact. TNMP also earns revenues from service provided to facilities in its service area that lie outside the territorial jurisdiction of the municipalities with which TNMP has franchise agreements.

Regulatory Activities

The rates TNMP charges customers are subject to traditional rate regulation by the PUCT. On January 1, 2019, TNMP implemented a PUCT order in TNMP's 2018 Rate Case to increase annual base rates by $10.0 million based on a ROE of 9.65%, a cost of debt of 6.44%, and a capital structure comprised of 55% debt and 45% equity. The increase reflects the reduction in the federal corporate income tax rate to 21%. Under the approved settlement stipulation TNMP was granted authority to update depreciation rates and refund the regulatory liability related to federal tax reform to customers.

The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case. The PUCT approved interim adjustments to TNMP's transmission rates of $7.8 million in March 2020, $2.0 million in October 2020, $14.1 million in March 2021, and $6.3 million in September 2021. On January 26, 2022 TNMP filed an application to further update its transmission rates, which would increase revenues by $14.2 million annually. The application is pending before the PUCT. The PUCT approved interim adjustments to TNMP's distribution revenue requirement of $14.7 million in August 2020 and $13.5 million in September 2021. The PUCT also approved rate riders that allow TNMP to recover amounts related to energy efficiency and third-party transmission costs.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and the activities of PNMR Services Company. PNMR Services Company provides corporate services through shared services agreements to PNMR and all of PNMR's business units, including PNM and TNMP. These services are charged and billed at cost on a monthly basis to the business units. The activities of PNMR Development, NM Capital, and NMRD are also included in Corporate and Other.

SOURCES OF POWER

PNM

Generation Capacity

As of December 31, 2021, the total net generation capacity of facilities owned or leased by PNM was 2,168 MW. PNM also obtains power under long-term PPAs for the power produced by Valencia, New Mexico Wind, Red Mesa Wind, Casa Mesa Wind, La Joya Wind I and II, the Lightning Dock Geothermal facility, and the NMRD-owned solar facilities.

PNM's capacity in electric generating facilities, which are owned, leased, or under PPAs, in commercial operation as of December 31, 2021 is:

Type	Name	Location	Generation Capacity (MW)	Percent of Generation Capacity
Coal	SJGS	Waterflow, New Mexico	562	18.0 %
Coal	Four Corners	Fruitland, New Mexico	200	6.4 %
Coal-fired resources			762	24.4 %
Gas	Reeves Station	Albuquerque, New Mexico	146	4.6 %
Gas	Afton (combined cycle)	La Mesa, New Mexico	235	7.5 %
Gas	Lordsburg	Lordsburg, New Mexico	85	2.7 %
Gas	Luna (combined cycle)	Deming, New Mexico	190	6.1 %
Gas/Oil	Rio Bravo	Albuquerque, New Mexico	149	4.8 %
Gas	Valencia	Belen, New Mexico	155	5.0 %
Gas	La Luz	Belen, New Mexico	41	1.3 %
Gas-fired resources			1,001	32.0 %
Nuclear	PVNGS	Wintersburg, Arizona	402	12.9 %
Solar	PNM-owned solar	Twenty-four sites in New Mexico	158	5.1 %
Solar	NMRD-owned solar	Los Lunas, New Mexico	130	4.2 %
Wind	New Mexico Wind	House, New Mexico	200	6.4 %
Wind	Red Mesa Wind	Seboyeta, New Mexico	102	3.3 %
Wind	Casa Mesa Wind	House, New Mexico	50	1.6 %
Wind	La Joya Wind I	Torrance, New Mexico	166	5.3 %
Wind	La Joya Wind II	Torrance, New Mexico	140	4.5 %
Geothermal	Lightning Dock Geothermal	Lordsburg, New Mexico	11	0.3 %
Renewable resources			957	30.7 %
			3,122	100.0 %

The NMPRC has approved plans for PNM to procure energy and RECs from additional solar-PV renewable resources totaling 1,440 MW to serve retail customers and a data center located in PNM's service territory, including the portfolio to replace the planned retirement of SJGS for solar PPAs of 650 MW combined with 300 MW of battery storage agreements. The PVNGS Leased Interest Abandonment Application approved by the NMPRC includes solar PPAs of 450 MW combined with 290 MW of battery storage agreements. The majority of these renewable resources are key means for PNM to meet the RPS and related regulations that require PNM to achieve prescribed levels of energy sales from renewable sources, including those set by the recently enacted ETA, without exceeding cost requirements. If adjusted for these plans, the table above would reflect the percentage of generation capacity from fossil-fueled resources of 26.5%, from nuclear resources of 6.4%, and from renewable and battery storage resources of 67.1%. In addition, PNM also has a customer distributed solar generation program that represented 201.2 MW at December 31, 2021.

Fossil-Fueled Plants

SJGS is operated by PNM and, until December 2017, consisted of four units. SJGS Units 2 and 3 were retired in December 2017 and the ownership interests in SJGS Unit 4 were restructured. PNM has received NMPRC approval to retire its remaining ownership in SJGS in 2022. See Note 17.

The table below presents the rated capacities and ownership interests of each participant in each unit of SJGS at December 31, 2021:

	Unit 1	Unit 4
Capacity (MW)	340	507
PNM [1]	50.000 %	77.297 %
Tucson	50.000	—
Farmington	—	8.475
Los Alamos	—	7.200
UAMPS	—	7.028
Total	100.000 %	100.000 %

[1] Includes a 12.8% interest held in SJGS Unit 4 as a merchant plant.

Four Corners Units 4 and 5 are 13% owned by PNM. These units are jointly owned with APS, SRP, Tucson, and NTEC, and are operated by APS. The Four Corners plant site is located on land within the Navajo Nation and is subject to an easement from the federal government. APS, on behalf of the Four Corners participants, negotiated amendments to extend the owners' right to operate the plant on the site to July 2041. In June 2021, APS and the owners of Four Corners entered into agreements to operate Four Corners seasonally beginning in Fall 2023, subject to the necessary approvals. Under seasonal operations, a single unit will remain online year-round, subject to market conditions as well as planned maintenance outages and unplanned outages. In addition, the other unit will be operational throughout the summer season when customer demand is the highest. PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's 13% share of Four Corners as of December 31, 2024. See Note 17.

PNM owns 100% of Reeves, Afton, Rio Bravo, Lordsburg, and La Luz and one-third of Luna. The remaining interests in Luna are owned equally by Tucson and Samchully Power & Utilities 1, LLC. PNM is also entitled to the entire output of Valencia under a PPA. Reeves, Lordsburg, Rio Bravo, La Luz, and Valencia are used primarily for peaking power and transmission support. As discussed in Note 10, Valencia is a variable interest entity and is consolidated by PNM.

Nuclear Plant

PNM is participating in the three units of PVNGS with APS (the operating agent), SRP, EPE, SCE, SCPPA, and the Department of Water and Power of the City of Los Angeles. PNM is entitled to 10.2%, including portions that are leased to PNM, of the power and energy generated by PVNGS. Currently, PNM has ownership interests of 2.3% in Unit 1, 9.4% in Unit 2, and 10.2% in Unit 3 and has leasehold interests of 7.9% in Unit 1 and 0.8% in Unit 2. The lease payments for the leased portions of PVNGS are recovered through retail rates approved by the NMPRC.

On April 5, 2021, PNM and SRP entered into an Asset Purchase and Sale Agreement, pursuant to which PNM agreed to sell to SRP certain PNM-owned assets and nuclear fuel necessary to the ongoing operation and maintenance of leased capacity in PVNGS Unit 1 and Unit 2, which SRP has agreed to acquire from the lessors upon termination of the existing leases. The proposed transaction between PNM and SRP received all necessary approvals, including NRC approval for the transfer of the associated possessory licenses to SRP at the end of the term of each of the respective leases. See Notes 16 and 17 for information on other PVNGS matters including the PVNGS Leased Interest Abandonment Application and Note 8 for additional information concerning the PVNGS leases.

Renewables

At December 31, 2021, PNM owns 158 MW of solar facilities in commercial operation. In addition, PNM purchases renewable power under long-term PPAs to serve New Mexico retail customers, including a data center located in PNM's service territory. At December 31, 2021, renewable energy procured under these agreements from wind, solar-PV, and geothermal facilities aggregated to 658 MW, 130 MW, and 11 MW. These agreements currently have expiration dates beginning in January 2035 and extending through June 2045. The NMPRC has approved PNM's request to enter into additional PPAs for renewable energy for an additional 1,440 MW of energy from solar-PV facilities combined with 640 MW of battery storage agreements with an anticipated 100 MW expected to come online in 2022. The entire portfolio of replacement resources approved by the NMPRC in PNM's SJGS Abandonment Application includes replacement of SJGS capacity with the procurement of 650 MW of solar PPAs combined with 300 MW of battery storage agreements. The PVNGS Leased Interest Abandonment Application approved by the NMPRC for replacement of 114 MW of PVNGS capacity and to ensure system reliability and load needs are met includes procurement of 450 MW of solar PPAs combined with 290 MW of battery storage agreements. In addition, the NMPRC issued an order that will allow PNM to service a data center for an additional 190 MW of solar PPA combined with 50 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. See Note 17.

A summary of purchased power, excluding Valencia, is as follows:

	Year Ended December 31, 2021	2020
Purchased under long-term PPAs		
MWh	3,107,696	2,207,238
Cost per MWh	$ 33.95	$ 34.00
Other purchased power		
Total MWh [(1)]	2,510,263	318,061
Cost per MWh	$ 45.97	$ 51.18

[(1)] Increase in 2021 primarily resulted from PNM's participation in the EIM. See Note 4 and Note 17.

Plant Operating Statistics

Equivalent availability of PNM's major base-load generating stations was:

Plant	Operator	2021	2020
SJGS	PNM	74.2%	73.3%
Four Corners	APS	66.1%	63.9%
PVNGS	APS	91.7%	89.5%

Joint Projects

SJGS, PVNGS, Four Corners, and Luna are joint projects each owned or leased by several different entities. Some participants in the joint projects are investor-owned entities, while others are privately, municipally, or co-operatively owned. Furthermore, participants in SJGS have varying percentage interests in different generating units within the project. On January 31, 2016 an agreement to restructure the ownership in SJGS became effective. The restructuring agreement provided for certain participants in SJGS to exit ownership at December 31, 2017, by which time SJGS Units 2 and 3 were required to be permanently shut down. On April 1, 2020, the NMPRC approved the abandonment of PNM's remaining interest in SJGS on June 30, 2022. On February 17 2022, PNM filed a request with the NMPRC to extend operation of SJGS Unit 4 until September 30, 2022. The filing provided that PNM had obtained agreement from the SJGS owners to extend operation of Unit 4, but was unable to secure the extended operation of Unit 1. See Note 17 for additional information about PNM's SJGS Abandonment Application.

The primary operating or participation agreements for the other joint projects expire July 2041 for Four Corners, December 2046 for Luna, and November 2047 for PVNGS. As described above, Four Corners is located on land within the Navajo Nation and is subject to an easement from the federal government. On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's 13% share of Four Corners as of December 31, 2024. See Note 17 for additional information about PNM's Four Corners Abandonment Application. Portions of PNM's interests in PVNGS Units 1 and 2 are held under leases. See Nuclear Plant above and Note 8 regarding PNM's actions related to these leases.

It is possible that other participants in the joint projects have circumstances and objectives that have changed from those existing at the time of becoming participants. The status of these joint projects is further complicated by the uncertainty surrounding the form of potential legislation and/or regulation of GHG, other air emissions, and CCRs, as well as the impacts of the costs of compliance and operational viability of all or certain units within the joint projects. It is unclear how these factors will enter into discussions and negotiations concerning the status of the joint projects as the expiration of basic operational agreements approaches. PNM can provide no assurance that its participation in the joint projects will continue in the manner that currently exists.

TNMP

TNMP provides only transmission and distribution services and does not sell power.

FUEL

PNM

The percentages (on the basis of KWh) of PNM's generation of electricity, including Valencia, fueled by coal, nuclear fuel, and gas and oil, and the average costs to PNM of those fuels per MMBTU were as follows:

	Coal		Nuclear		Gas and Oil	
	Percent of Generation	Average Cost	Percent of Generation	Average Cost	Percent of Generation	Average Cost
2021	44.3 %	$ 3.02	34.8 %	$ 0.68	16.8 %	$ 6.02
2020	43.6 %	$ 3.04	34.7 %	$ 0.70	17.6 %	$ 1.63

In both 2021 and 2020, 4.1% of PNM's generation was from utility-owned solar, which has no fuel cost. The generation mix for 2022, including power procured under long-term PPAs, is expected to be 25.7% coal, 33.2% nuclear, 18.3% gas and oil, and 22.8% from renewable resources, including solar, wind, and geothermal. Due to locally available natural gas and oil supplies, the utilization of locally available coal deposits, and the generally adequate supply of nuclear fuel, PNM believes that adequate sources of fuel are available for its generating stations into the foreseeable future. See Sources of Power – PNM – PPAs for information concerning the cost of purchased power. PNM recovers substantially all of its fuel and purchased power costs through the FPPAC.

Coal

SJGS and Four Corners are coal-fired generating plants that obtain their coal requirements from mines near the plants. The coal supply contract for SJGS, was set to expire on June 30, 2022, but was extended, subject to FERC acceptance of the SJGS participation agreement, through September 30, 2022 with an amendment to the coal supply agreement executed on February 17, 2022. Coal supply has not been arranged for periods after the existing contract expires. Substantially all of PNM's coal costs are passed on to PNM's customers under the FPPAC. PNM believes there is adequate availability of coal resources to continue to operate SJGS through September 30, 2022.

In December 2013, a coal supply arrangement for Four Corners that runs through July 6, 2031 was executed. Since that time, certain amendments have been made to the contract including amendments to reduce annual take-or-pay minimums and to change the annual contract period to end in May rather than in July of each year. The contract provides for pricing adjustments over its term based on economic indices. In connection with the proposed exit of Four Corners, PNM would make payments totaling $75.0 million to NTEC for relief from its obligations under the coal supply agreement for Four Corners after December 31, 2024.

See Note 16 for additional information about PNM's coal supply arrangements. See Note 17 for additional information about PNM's SJGS Abandonment Application, PNM's Four Corners Abandonment Application, and the 2020 IRP, which all focus on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024.

Natural Gas

The natural gas used as fuel for the electric generating plants is procured on the open market and delivered by third-party transportation providers. The supply of natural gas can be subject to disruptions due to extreme weather events and/or pipeline or facility outages. PNM has contracted for firm gas transmission capacity to minimize the potential for disruptions due to extreme weather events. Certain of PNM's natural gas plants are generally used as peaking resources that are highly relied upon during seasonally high load periods and/or during periods of extreme weather, which also may be the times natural gas has the highest demand from other users. Substantially all of PNM's natural gas costs are recovered through the FPPAC.

Nuclear Fuel and Waste

PNM is one of several participants in PVNGS. The PVNGS participants are continually identifying their future nuclear fuel resource needs and negotiating arrangements to fill those needs. The PVNGS participants have contracted for 100% of PVNGS's requirements for uranium concentrates through 2025 and 55% through 2028. Additional needed supplies are covered through existing inventories or spot market transactions. For conversion services, 100% are contracted through 2025 and 70% through 2030. Additional needed conversion services are covered through existing inventories or spot market transactions. For enrichment services 90% is contracted through 2022 and 80% through 2026. For fuel assembly fabrication 100% is contracted through 2027.

The Nuclear Waste Policy Act of 1982 required the DOE to begin to accept, transport, and dispose of spent nuclear fuel and high-level waste generated by the nation's nuclear power plants by 1998. The DOE's obligations are reflected in a contract with each nuclear power plant. The DOE failed to begin accepting spent nuclear fuel by 1998. APS (on behalf of itself and the other PVNGS participants) pursued legal actions for which settlements were reached. See Note 16 for information concerning these actions.

The DOE had planned to meet its disposal obligations by designing, licensing, constructing, and operating a permanent geologic repository at Yucca Mountain, Nevada. In March 2010, the DOE filed a motion to dismiss with prejudice its Yucca Mountain construction authorization application that was pending before the NRC. Several legal proceedings followed challenging DOE's withdrawal of its Yucca Mountain construction authorization application. None of these lawsuits have been conclusively decided. However, the DC Circuit ordered the NRC to resume its review of the application. The results of the NRC's review publications do not signal whether or when the NRC might authorize construction of the repository.

All spent nuclear fuel from PVNGS is being stored on-site. PVNGS has sufficient capacity at its on-site ISFSI to store all of the nuclear fuel that will be irradiated during the initial operating license periods, which end in December 2027. Additionally, PVNGS has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the extended license periods, which end in November 2047. If uncertainties regarding the United States government's obligation to accept and store spent fuel are not favorably resolved, the PVNGS participants will evaluate alternative storage solutions. These may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the extended license periods.

ENVIRONMENTAL MATTERS

Electric utilities are subject to stringent laws and regulations for protection of the environment by local, state, federal, and tribal authorities. In addition, PVNGS is subject to the jurisdiction of the NRC, which has the authority to issue permits and licenses and to regulate nuclear facilities in order to protect the health and safety of the public from radioactive hazards and to conduct environmental reviews. The liabilities under these laws and regulations can be material. In some instances, liabilities may be imposed without regard to fault, or may be imposed for past acts, whether or not such acts were lawful at the time they occurred. See MD&A – Other Issues Facing the Company – Climate Change Issues for information on GHG. In addition, Note 16 contains information related to the following matters, incorporated in this item by reference:

- PVNGS Decommissioning Funding
- Nuclear Spent Fuel and Waste Disposal
- The Energy Transition Act
- Environmental Matters under the caption "The Clean Air Act"
- Cooling Water Intake Structures
- Effluent Limitation Guidelines
- Santa Fe Generating Station
- Environmental Matters under the caption "Coal Combustion Residuals Waste Disposal"

COMPETITION

Regulated utilities are generally not subject to competition from other utilities in areas that are under the jurisdiction of state regulatory commissions. In New Mexico, PNM does not have direct competition for services provided to its retail electric customers. In Texas, TNMP is not currently in any direct retail competition with any other regulated electric utility. However, PNM and TNMP are subject to customer conservation and energy efficiency activities, as well as initiatives to utilize alternative energy sources, including self-generation, or otherwise bypass the PNM and TNMP systems.

PNM is subject to varying degrees of competition in certain territories adjacent to or within the areas it serves. This competition comes from other utilities in its region as well as rural electric cooperatives and municipal utilities. PNM is involved in the generation and sale of electricity into the wholesale market to serve its New Mexico retail customers. PNM is subject to competition from regional utilities and merchant power suppliers with similar opportunities to generate and sell energy at market-based prices and larger trading entities that do not own or operate generating assets.

HUMAN CAPITAL RESOURCES

PNM Resources depends on over 1,600 dedicated employees to deliver outstanding customer service and transform into an emissions-free generation future.

Culture

Our diverse and inclusive workforce make the Company successful through our core values of safety, caring, and integrity. Our culture fosters behavior and mindset to sustain shared purpose, transparency and collaboration creating both individual and organizational accountability for achieving key results. Aligned with the core value of safety, we embarked on an in-depth safety survey and actionable plan focused on further integrating safety into our culture. In addition, we incorporate mental and physical well-being into our culture through a robust employee wellness program.

Talent Management and Total Rewards

We seek to attract and retain a highly skilled workforce by offering competitive compensation and benefits as well as opportunities for career advancement. Total compensation packages are reviewed regularly to ensure competitiveness within the industry and consistency with performance levels. We are committed to a leadership development program, which ensures our leaders' success and provides diverse learning plans for all employees.

Diversity and Inclusion

Our core values also drive a culture committed to diversity and inclusion. Our diverse workforce enables the Company to provide exceptional value to our customers and stakeholders. Our 1,646 employees include 39% represented by a bargaining unit, 26% women, 52% minorities, 14% identified as disabled, and 8% veterans. To enhance diversity, we take a multi-tiered approach, including unconscious bias training in our leadership development program, incorporating diversity into our hiring process and undertaking targeted recruitment with organizations supporting diverse candidates. Compensation equity is reviewed three times per year and we perform a robust annual succession planning process, including an evaluation of our programs for diversity and inclusion.

Governance

The Board agrees that human capital management is an important component of PNM Resources' continued growth and success, and is essential for its ability to attract, retain and develop talented and skilled employees. Management regularly reports to the Compensation Committee of the Board on human capital management topics, including corporate culture, diversity and inclusion, employee development and compensation and benefits. The Compensation Committee has oversight of talent retention and development and succession planning, and the Board provides input on important decisions in each of these areas.

Employees

The following table sets forth the number of employees of PNMR, PNM, and TNMP as of December 31, 2021:

	PNMR	PNM	TNMP
Corporate [1]	401	—	—
PNM	877	877	—
TNMP	368	—	368
Total	1,646	877	368

[1] Represents employees of PNMR Services Company.

As of December 31, 2021, PNM had 444 employees in its power plant and operations areas that are currently covered by a collective bargaining agreement with the IBEW Local 611 that is in effect through April 30, 2023. As of December 31, 2021, TNMP had 193 employees represented by IBEW Local 66 covered by a collective bargaining agreement that is in effect through August 31, 2024. The wages and benefits for PNM and TNMP employees who are members of the IBEW are typically included in the rates charged to electric customers and consumers, subject to approval of the NMPRC and PUCT.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Statements made in this filing that relate to future events or PNMR's, PNM's, or TNMP's expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and apply only as of the date of this report. PNMR, PNM, and TNMP assume no obligation to update this information.

Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flows, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors, which are neither presented in order of importance nor weighted, include:

- The expected timing and likelihood of completion of the pending Merger, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the pending Merger that could reduce anticipated benefits or cause the parties to abandon the transaction
- The occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement
- The risk that the parties may not be able to satisfy the conditions to the proposed Merger in a timely manner or at all
- The risk that the proposed Merger could have an adverse effect on the ability of PNMR to retain and hire key personnel and maintain relationships with its customers and suppliers, and on its operating results and businesses generally
- The ability of PNM and TNMP to recover costs and earn allowed returns in regulated jurisdictions, including the prudence of PNM's undepreciated investments in Four Corners and recovery of PNM's investments and other costs associated with that plant, and the impact on service levels for PNM customers if the ultimate outcomes do not provide

for the recovery of costs and operating and capital expenditures, as well as other impacts of federal or state regulatory and judicial actions
- The ability of the Company to successfully forecast and manage its operating and capital expenditures, including aligning expenditures with the revenue levels resulting from the ultimate outcomes of regulatory proceedings, or resulting from potential mid-term or long-term impacts related to COVID-19
- Uncertainty relating to PNM's decision to return the currently leased generating capacity in PVNGS Units 1 and 2 at the expiration of their lease terms in 2023 and 2024, including future regulatory outcomes relating to the ratemaking treatment
- Uncertainty surrounding the status of PNM's participation in jointly-owned generation projects, including the changes in PNM's generation entitlement share for PVNGS following termination of the leases in 2023 and 2024, the proposed exit from Four Corners and the exit and abandonment of SJGS
- Uncertainty regarding the requirements and related costs of decommissioning power plants and reclamation of coal mines supplying certain power plants, as well as the ability to recover those costs from customers, including the potential impacts of current and future regulatory proceedings
- The impacts on the electricity usage of customers and consumers due to performance of state, regional, and national economies, energy efficiency measures, weather, seasonality, alternative sources of power, advances in technology, the impacts of COVID-19 on customer usage, other changes in supply and demand
- Uncertainty related to the potential for regulatory orders, legislation or rulemakings that provide for municipalization of utility assets or public ownership of utility assets, including generation resources, or which would delay or otherwise impact the procurement of necessary resources in a timely manner
- The Company's ability to access the financial markets in order to provide financing to repay or refinance debt as it comes due, as well as for ongoing operations and construction expenditures, including disruptions in the capital or credit markets, actions by ratings agencies, and fluctuations in interest rates, including any negative impacts that could result from the ultimate outcomes of regulatory proceedings, from the economic impacts of COVID-19 or from the entry into the Merger Agreement
- The risks associated with completion of generation, transmission, distribution, and other projects, including uncertainty related to regulatory approvals and cost recovery, and the ability of counterparties to meet their obligations under certain arrangements (including approved PPAs related to replacement resources for facilities to be retired or for which the leases will terminate), and supply chain or other outside support services that may be disrupted by the impacts of COVID-19
- The potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory, or contractual restrictions or subsidiary earnings or cash flows
- The performance of generating units, transmission systems, and distribution systems, which could be negatively affected by operational issues, fuel quality and supply chain issues (disruptions), unplanned outages, extreme weather conditions, wildfires, terrorism, cybersecurity breaches, and other catastrophic events, including the impacts of COVID-19, as well as the costs the Company may incur to repair its facilities and/or the liabilities the Company may incur to third parties in connection with such issues
- State and federal regulation or legislation relating to environmental matters and renewable energy requirements, the resultant costs of compliance, and other impacts on the operations and economic viability of PNM's generating plants
- State and federal regulatory, legislative, executive, and judicial decisions and actions on ratemaking, and taxes, including guidance related to the Tax Act, and other matters
- Risks related to climate change, including potential financial risks resulting from climate change litigation and legislative and regulatory efforts to limit GHG, including the impacts of the ETA
- Employee workforce factors, including cost control efforts and issues arising out of collective bargaining agreements and labor negotiations with union employees
- Variability of prices and volatility and liquidity in the wholesale power and natural gas markets
- Changes in price and availability of fuel and water supplies, including the ability of the mines supplying coal to PNM's coal-fired generating units and the companies involved in supplying nuclear fuel to provide adequate quantities of fuel
- Regulatory, financial, and operational risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainties
- The impacts of decreases in the values of marketable securities maintained in trusts to provide for decommissioning, reclamation, pension benefits, and other postretirement benefits, including potential increased volatility resulting from international developments and the impacts of COVID-19
- Uncertainty surrounding counterparty performance and credit risk, including the ability of counterparties to supply fuel and perform reclamation activities and impacts to financial support provided to facilitate the coal supply at SJGS
- The effectiveness of risk management regarding commodity transactions and counterparty risk
- The outcome of legal proceedings, including the extent of insurance coverage
- Changes in applicable accounting principles or policies

For information about the risks associated with the use of derivative financial instruments see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

SECURITIES ACT DISCLAIMER

Certain securities described in this report have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be reoffered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. This Form 10-K does not constitute an offer to sell or the solicitation of an offer to buy any securities.

ITEM 1A. RISK FACTORS

The business and financial results of PNMR, PNM, and TNMP are subject to a number of risks and uncertainties, many of which are beyond their control, including those set forth below and in MD&A, Note 16, and Note 17. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement contained in this report, see Disclosure Regarding Forward Looking Statements in Item 1. Business. TNMP provides transmission and distribution services to REPs that provide electric service to consumers in TNMP's service territories. References to customers in the risk factors discussed below also encompass the customers of these REPs who are the ultimate consumers of electricity transmitted and distributed through TNMP's facilities.

Regulatory Risks

The profitability of PNMR's utilities depends on being able to recover their costs through regulated rates and earn a fair return on invested capital, including investments in its generating plants. Without timely cost recovery, including recovery of undepreciated investments and other costs associated with abandoning generation facilities, and the opportunity to earn a fair return on capital investments, PNMR's liquidity and results of operations could be negatively impacted. Further, PNM and TNMP are in a period of significant capital expenditures. While increased capital investments and other costs are placing upward pressure on rates charged to customers, energy efficiency initiatives and other factors are placing downward pressure on customer usage. The combination of these matters could adversely affect the Company's results of operations and cash flows.

The rates PNM charges its customers are regulated by the NMPRC and FERC. TNMP is regulated by the PUCT. The Company is in a period requiring significant capital investment and is projecting total construction expenditures for the years 2022-2026 to be $4.2 billion. See Note 14. PNM and TNMP anticipate a trend toward increasing costs, for which they will have to seek regulatory recovery. These costs include or are related to costs of asset construction for generation, transmission, and distribution systems necessary to provide electric service, as well as the cost to remove and retire existing assets, environmental compliance expenditures, regulatory mandates to acquire power from renewable resources, regulation related to nuclear safety, increased costs related to cybersecurity, increased interest costs to finance capital investments, and depreciation.

At the same time costs are increasing, there are factors placing downward pressure on the demand for power, thereby reducing customer usage. These factors include changing customer behaviors, including increased emphasis on energy efficiency measures and utilization of alternative sources of power, rate design that is not driven by economics, which could influence customer behavior, unfavorable economic conditions, reduced new sources of demand, and unpredictable weather patterns.

The combination of costs increasing relatively rapidly and the technologies and behaviors that are reducing energy consumption places upward pressure on the per unit prices that must be charged to recover costs. This upward pressure on unit prices could result in additional efforts by customers to reduce consumption through alternative measures. Without timely cost recovery and the authorization to earn a reasonable return on invested capital, the Company's liquidity and results of operations could be negatively impacted.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's 13% share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. On December 15, 2021, the NMPRC issued a final order denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. PNM's Statement of Issues was filed with the NM Supreme Court on January 21, 2022. See additional discussion of the ETA and PNM's Four Corners Abandonment Application in Notes 16 and 17.

On January 29, 2021 PNM filed its 2020 IRP addressing the 20-year planning period, from 2020 through 2040. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. See additional discussion regarding PNM's 2020 IRP filing in Note 17.

On June 11, 2020, PNM provided notices to the lessors and the NMPRC that PNM will return the leased assets under both its PVNGS Unit 1 and Unit 2 leases upon expiration of the leases in January 2023 and 2024. PNM issued an RFP for replacement power resources on June 25, 2020. On April 2, 2021, PNM filed an application with the NMPRC requesting approval for the decertification and abandonment of 114 MW of leased PVNGS capacity, sale and transfer of related assets, and approval to procure new resources (“PVNGS Leased Interest Abandonment Application”). On April 21, 2021, the NMPRC issued an order stating that issues reserved to a separate proceeding in the NM 2015 Rate Case regarding the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 shall be addressed in this case and PNM shall file testimony addressing the issue. On July 28, 2021, the hearing examiner issued a recommended decision recommending dismissal of PNM's requests for approval to abandon and decertify the Leased Interest; dismissal of PNM's request for approval to sell and transfer the related assets; and dismissal of PNM's request to create regulatory assets for the associated remaining undepreciated investments, but does not preclude PNM seeking recovery of the costs in a general rate case in which the test year period includes the time period in which PNM incurs such costs. The hearing examiner's recommended decision further provides that PNM's request for replacement and system reliability resources and the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 should remain within the scope of this case.

On August 25, 2021, the NMPRC issued an order granting portions of the July 28, 2021 recommended decision related to dismissal of PNM's request for approval to abandon and decertify the Leased Interest and dismissal of PNM's request for approval to sell and transfer the related assets. In addition, the order bifurcated the issue of approval for the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously. On February 16, 2022, the NMPRC approved the two PPAs and three battery storage agreements. See additional discussion of PNM’s PVNGS Leased Interest Abandonment Application in Notes 17.

An adverse decision regarding PNM’s ability to recover certain PVNGS decommissioning costs and recovery of undepreciated investments at PVNGS and Four Corners, could negatively impact PNM’s financial position, results of operations, and cash flows. Likewise, if the NMPRC does not authorize appropriate recovery of any undepreciated generating resources at the time those resources cease to be used to provide service to New Mexico ratepayers, including required future investments, and does not authorize recovery of the costs of obtaining power to replace those resources, PNM’s financial position, results of operations, and cash flows could be negatively impacted.

The inability to operate generation resources prior to their planned retirement dates, or the NMPRC’s denial, modification or delay of PNM’s applications for replacement resources, would require PNM to obtain power from other sources in order to serve the needs of its customers. There can be no assurance the NMPRC will allow PNM to recover undepreciated investments in retired facilities through rates charged to customers, that adequate sources of replacement power would be available, that adequate transmission capabilities would be available to bring that power into PNM’s service territory, or whether the cost of obtaining those resources would be economical. Any such events would negatively impact PNM’s financial position, results of operations, and cash flows unless the NMPRC authorized the collection from customers of any un-recovered costs related to the retired facilities, as well as costs of obtaining replacement power.

It is also possible that unsatisfactory outcomes of these matters, the financial impact of climate change regulation or legislation, other environmental regulations, the result of litigation, the adequacy and timeliness of cost recovery mechanisms, and other business considerations, could jeopardize the economic viability of certain generating facilities or the ability or willingness of individual participants to continue their participation through the periods currently contemplated in the agreements governing those facilities.

PNM currently recovers the cost of fuel for its generation facilities through its FPPAC. A coal supply contract for SJGS, was set to expire on June 30, 2022, but was extended, subject to FERC acceptance of the amended SJGS participation agreement, through September 30, 2022 with an amendment to the coal supply agreement on February 17, 2022. In December 2013, a new fifteen-year coal supply contract for Four Corners beginning in July 2016 was executed. In connection with its exit from Four Corners discussed, and subject to ultimate approval of its Four Corners Abandonment Application with a successful appeal of its initial denial discussed in Note 17, PNM will be relieved of its obligations under the coal supply agreement after December 31, 2024. The contracts provide for pricing adjustments over their terms based on economic indices. Although PNM believes substantially all costs under coal supply arrangements would continue to be recovered through the FPPAC, there can be no assurance that full recovery will continue to be allowed.

PNMR has counterparty credit risk in connection with financial support that was provided to facilitate the coal supply arrangement for SJGS. Adverse developments from these factors could have a negative impact on the business, financial condition, results of operations, and cash flows of PNM and PNMR.

PNMR has an arrangement with a bank under which the bank has issued $30.3 million of letters of credit in favor of sureties in order for the sureties to post reclamation bonds that are required under the miner’s operating permit. The Company’s financial position, results of operations, and cash flows could be negatively impacted if the current mine operator were to default on its obligations to reclaim the San Juan mine and PNMR is required to perform under the letter of credit support agreement.

PNMR’s utilities are subject to numerous comprehensive federal, state, tribal, and local environmental laws and regulations, including those related to climate change, which may impose significant compliance costs and may significantly limit or affect their operations and financial results.

Compliance with federal, state, tribal, and local environmental laws and regulations, including those addressing climate change, air quality, CCRs, discharges of wastewater originating from fly ash and bottom ash handling facilities, cooling water, effluent, and other matters, may result in increased capital, operating, and other costs, particularly with regard to enforcement efforts focused on power plant emission control obligations. These costs could include remediation, containment, civil liability, and monitoring expenses. The Company cannot predict how it would be affected if existing environmental laws and regulations were to be repealed, revised, or reinterpreted, or if new environmental laws or regulations were to be adopted. See Note 16 and the Climate Change Issues subsection of the Other Issues Facing the Company section of MD&A.

EPA’s Clean Power Plan, the U.S. participation in the Paris Agreement, and federal GHG reduction measures setting emission guidelines have recently been subject to repeal and removal and remain in a state of uncertainty. Therefore, PNMR is dealing with an uncertain regulatory and policy environment. Under the Biden Administration, EPA and other federal agencies will seek to expand climate change regulations and work to aggressively reduce GHG emissions. Many state agencies, environmental advocacy groups, and other organizations will continue to focus on decarbonization with enhanced attention on GHG from fossil-fueled generation facilities. See discussion above and Note 17, regarding PNM’s abandonment applications and the ETA. PNM currently depends on fossil-fueled generation for a significant portion of its electricity. As discussed under Climate Change Issues, this type of generation could be subject to future EPA or state regulations requiring GHG reductions. The anticipated expansion of federal and state regulations could result in additional operating restrictions on facilities and increased generation and compliance costs.

CCRs from the operation of SJGS are currently being used in the reclamation of a surface coal mine. These CCRs consist of fly ash, bottom ash, and gypsum. Any new regulation that would affect the reclamation process, including any future decision regarding classification of CCRs as hazardous waste, could significantly increase the costs of the disposal of CCRs and the costs of mine reclamation. In addition, PNM would incur additional costs to the extent the rule requires the closure or modification of CCR units at Four Corners or the construction of new CCR units beyond those already anticipated or requires corrective action to address releases from CCR disposal units at the site. See Note 16.

A regulatory body may identify a site requiring environmental cleanup, including cleanup related to catastrophic events such as hurricanes or wildfires, and designate PNM or TNMP as a responsible party. There is also uncertainty in quantifying exposure under environmental laws that impose joint and several liability on all potentially responsible parties. Failure to comply with environmental laws and regulations, even if such non-compliance is caused by factors beyond PNM’s or TNMP’s control, may result in the assessment of civil or criminal penalties and fines.

BART determinations have been made for both SJGS and Four Corners under the program to address regional haze in the “four corners” area. Those determinations require facilities to reduce the levels of visibility-impairing emissions, including NOx. Significant capital expenditures have been made at SJGS and at Four Corners for the installation of control technology, resulting in operating cost increases. The final guidance document for how states are to address the second implementation period (“2nd Planning Period”) of the Regional Haze rule was issued on August 20, 2019. In accordance with that guidance and EPA’s revised regional haze rule, states must submit Regional Haze SIPs by July 2021. NMED is currently preparing its next regional haze SIP and has notified PNM that it will not be required to submit a regional haze four-factor analysis for SJGS since PNM will retire its share of SJGS in 2022. The agency may ask for some documentation of PNM’s plans as the state moves closer to filing their SIP and setting the schedule for hearings on regional haze.

If PNM fails to timely obtain, maintain or comply with any required environmental regulatory approval, operations at affected facilities could be suspended or could subject PNM to additional expenses and potential penalties. Failure to comply with applicable environmental laws and regulations also could result in civil liability arising out of government enforcement actions or private claims. In addition, PNMR and its operating subsidiaries may underestimate the costs of environmental compliance, liabilities, and litigation due to the uncertainty inherent in these matters. Although there is uncertainty about the timing and form of the implementation of EPA’s regulations regarding climate change, CCRs, power plant emissions, changes to the ambient air quality standards, and other environmental issues, the promulgation and implementation of such regulations could have a material impact on operations. The Company is unable to estimate these costs due to the many uncertainties associated with, among other things, the nature and extent of future regulations and changes in existing regulations, including the changes in regulatory policy under the Biden Administration. Timely regulatory recovery of costs associated with any environmental-related regulations would be needed to maintain a strong financial and operational profile. The above factors could adversely affect the Company’s business, financial position, results of operations, and liquidity.

PNMR, PNM, and TNMP are subject to complex government regulation unrelated to the environment, which may have a negative impact on their businesses, financial position and results of operations.

To operate their businesses, PNMR, PNM, and TNMP are required to have numerous permits and approvals from a variety of regulatory agencies. Regulatory bodies with jurisdiction over the utilities include the NMPRC, NMED, PUCT, TCEQ, ERCOT, FERC, NRC, EPA, and NERC. Oversight by these agencies covers many aspects of the Company's utility operations including, but not limited to: location, construction, and operation of facilities; the purchase of power under long-term contracts; conditions of service; the issuance of securities; and rates charged to customers. FERC has issued a number of rules pertaining to preventing undue discrimination in transmission services and electric reliability standards. The significant level of regulation imposes restrictions on the operations of the Company and causes the incurrence of substantial compliance costs. PNMR and its subsidiaries are unable to predict the impact on their business and operating results from future actions of any agency regulating the Company. Changes in existing regulations or the adoption of new ones could result in additional expenses and/or changes in business operations. Failure to comply with any applicable rules, regulations or decisions may lead to customer refunds, fines, penalties, and other payments, which could materially and adversely affect the results of operations and financial condition of PNMR and its subsidiaries.

Operational Risks

Customer electricity usage could be reduced by increases in prices charged and other factors. This could result in underutilization of PNM's generating capacity, as well as underutilization of the capacities of PNM's and TNMP's transmission and distribution systems. Should this occur, operating and capital costs might not be fully recovered, and financial performance could be negatively impacted.

A number of factors influence customers' electricity usage. These factors include but are not limited to rates charged by PNM and TNMP, rates charged by REPs utilizing TNMP's facilities to deliver power, energy efficiency initiatives, unusual weather patterns, availability and cost of alternative sources of power, and national, regional, or local economic conditions.

These factors and others may prompt customers to institute additional energy efficiency measures or take other actions that would result in lower energy consumption. If customers bypass or underutilize PNM's and TNMP's facilities through self-generation, renewable, or other energy resources, technological change, or other measures, revenues would be negatively impacted.

PNM's and TNMP's service territories include several military bases and federally funded national laboratories, as well as large industrial customers that have significant direct and indirect impacts on the local economies where they operate. The Company does not directly provide service to any of the military bases or national laboratories but does provide service to large industrial customers. The Company's business could be hurt from the impacts on the local economies associated with these customer groups as well as directly from the large industrial customers for a number of reasons including federally-mandated base closures, significant curtailment of the activities at the bases or national laboratories, and closure of industrial facilities or significant curtailment of their activities.

Another factor that could negatively impact the Company is that proposals are periodically advanced in various localities to municipalize, or otherwise take over PNM's facilities, which PNM believes would require state legislative or other legal action to implement, or to establish new municipal utilities in areas currently served by PNM. If any such initiative is successful, the result could be a material reduction in the usage of the facilities, a reduction in rate base, and reduced earnings.

Should any of the above factors result in facilities being underutilized, the Company's financial position, results of operations, and cash flows could be significantly impacted.

Advances in technology could make electric generating facilities less competitive.

Research and development activities are ongoing for new technologies that produce power or reduce power consumption. These technologies include renewable energy, customer-oriented generation, energy storage, and energy efficiency. PNM generates power at central station power plants to achieve economies of scale and produce power at a cost that is competitive with rates established through the regulatory process. There are distributed generation technologies that produce power, including fuel cells, microturbines, wind turbines, and solar cells, which have become increasingly cost competitive. These advances in technology have reduced the costs of these alternative methods of producing power to a level that is competitive with that of central station power production. In addition, advances made in the capabilities of energy storage have further decreased power production and peak usage through the dispatch of more battery systems. These technological advances have resulted in demand reduction that negatively impact revenue and/or result in underutilized assets that have been built to serve peak usage. In addition, certain federal, state, or local requirements that regulated utilities such as PNM are required to follow could result in third parties being able to provide electricity from similar generation technologies to consumers at prices lower than PNM is able to offer. As these technologies become more cost competitive or can be used by third-parties to supply power at lower prices than PNM is able to offer, PNM's energy sales and/or regulated returns could be eroded, and the value of its generating facilities could be reduced. Advances in technology could also change the channels through which electric customers purchase or use power, which could reduce the Company's sales and revenues or increase expenses. These advances can also create more uncertainty in load shapes and forecasts, which could have implications for generation and system planning.

Costs of decommissioning, remediation, and restoration of nuclear and fossil-fueled power plants, as well as reclamation of related coal mines, could exceed the estimates of PNMR and PNM as well as the amounts PNM recovers from its ratepayers, which could negatively impact results of operations and liquidity.

PNM has interests in a nuclear power plant, two coal-fired power plants, and several natural gas-fired power plants and is obligated to pay its share of the costs to decommission these facilities. PNM is also obligated to pay for its share of the costs of reclamation of the mines that supply coal to the coal-fired power plants. Likewise, other owners or participants are responsible for their shares of the decommissioning and reclamation obligations and it is important to PNM that those parties fulfill their obligations. Rates charged by PNM to its customers, as approved by the NMPRC, include a provision for recovery of certain costs of decommissioning, remediation, reclamation, and restoration. The NMPRC has established a cap on the amount of costs for the final reclamation of the surface coal mines that may be recovered from customers. PNM records estimated liabilities for its share of the legal obligations for decommissioning and reclamation. These estimates include many assumptions about future events and are inherently imprecise. In the event the costs to decommission the facilities or to reclaim the mines serving the plants exceed current estimates, or if amounts are not approved for recovery by the NMPRC, results of operations could be negatively impacted.

The costs of decommissioning any nuclear power plant are substantial. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under lease both during and after termination of the leases. PNM maintains trust funds designed to provide adequate financial resources for decommissioning PVNGS and for reclamation of the coal mines serving SJGS and Four Corners at the end of their expected lives. However, if the PVNGS units are decommissioned before their planned date or the coal mines are shut down sooner than expected, these funds may prove to be insufficient.

The financial performance of PNMR, PNM, and TNMP may be adversely affected if power plants and transmission and distribution systems do not operate reliably and efficiently.

The Company's financial performance depends on the successful operation of PNM's generation assets, as well as the transmission and distribution systems of PNM and TNMP. PNM's recent abandonment applications for SJGS and Four Corners will increase PNM's dependency on other generation resources, including renewable resources, gas-fired facilities, and PVNGS, and will reduce PNM's flexibility in managing those resources. Unscheduled or longer than expected maintenance outages, breakdown or failure of equipment or processes due to aging infrastructure, temporary or permanent shutdowns to achieve environmental compliance, other performance problems with the generation assets, severe weather conditions, accidents and other catastrophic events, acts of war or terrorism, cybersecurity attacks, wildfires, disruptions in the supply, quality, and delivery of fuel and water supplies, and other factors could result in PNM's load requirements being larger than available system generation capacity. Unplanned outages of generating units and extensions of scheduled outages occur from time to time and are an inherent risk of the Company's business. If these were to occur, PNM would be required to purchase electricity in either the wholesale market or spot market at the then-current market price. There can be no assurance that sufficient electricity would be available at reasonable prices, or available at all. The failure of transmission or distribution facilities may also affect PNM's and TNMP's ability to deliver power. These potential generation, distribution, and transmission problems, and any service interruptions related to them, could result in lost revenues and additional costs.

PNMR, PNM, and TNMP are subject to information security breaches and risks of unauthorized access to their information and operational technology systems as well as physical threats to assets.

The Company faces the risk of physical and cybersecurity attacks, both threatened and actual, against generation facilities, transmission and distribution infrastructure, information technology systems, and network infrastructure, which could negatively impact the ability of the Company to generate, transport, and deliver power, or otherwise operate facilities in the most efficient manner or at all.

The utility industry in which the Company operates is a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure, some of which are deemed to be critical infrastructure under NERC guidelines. Certain of the Company's systems are interconnected with external networks. In the regular course of business, the utilities handle a range of sensitive security and customer information. PNM and TNMP are subject to the rules of various agencies and the laws of various states, concerning safeguarding and maintaining the confidentiality of this information. Cyber-attacks regularly occur, and generally are unsuccessful. Those few events that are successful do not generally result in significant or consequential business impacts. However, despite steps the Company may take to detect, mitigate and/or eliminate threats and respond to security incidents, the techniques used by those who wish to obtain unauthorized access, and possibly disable or sabotage systems and/or abscond with information and data, change frequently and the Company may not be able to protect against all such actions.

In the event that a capable adversary attacks the Company's computer and operating systems, despite the best efforts of the Company, the generation, transmission, or distribution of electrical services could be degraded or disrupted, customer information, business records, or other sensitive data could be lost, destroyed, or released outside of the Company's control. Further, the Company's use of technologies manufactured by third parties may be subject to espionage activities, and cyber-attack of the third party resulting in losses outside of the control of the company. Although the Company has implemented security measures to identify, prevent, detect, respond to, and recover from cyber and physical security events and supply chain disruptions, critical infrastructure, including information and operational technology systems, are vulnerable to disability, failures, or unauthorized access, which could occur as a result of malicious compromise, employee error, and/or employee misconduct or supply compromise. A successful physical or cybersecurity attack or other similar failure of the systems could impact the reliability of PNM's generation and PNM's and TNMP's transmission and distribution systems, including the possible unauthorized shutdown of facilities. Such an event could lead to disruptions of business operations, including the Company's ability to generate, transport, and deliver power to serve customers, to bill customers, and to process other financial information. A breach of the Company's information systems could also lead to the loss and destruction of confidential and proprietary data, personally identifiable information, trade secrets, intellectual property and supplier data, and could disrupt business operations which could harm the Company's reputation and financial results, as well as potential increased regulatory oversight, litigation, fines, and other remedial action. The costs incurred to investigate and remediate a physical or cybersecurity attack could be significant. A significant physical or cybersecurity attack on the Company's critical infrastructure could have an adverse impact on the operations, reputation and financial condition of PNMR, PNM, and TNMP.

There are inherent risks in the ownership and operation of nuclear facilities.

PNM has a 10.2% undivided interest in PVNGS, including interests in Units 1 and 2 held under leases. PVNGS represents 12.9% of PNM's total generating capacity as of December 31, 2021. PVNGS is subject to environmental, health, and financial risks including but not limited to the ability to obtain adequate supplies of nuclear fuel and water, the ability to dispose of spent nuclear fuel, decommissioning of the plant (see above), securing the facilities against possible terrorist attacks, and unscheduled outages due to equipment failures.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. Events at nuclear facilities of other operators or which impact the industry generally may lead the NRC to impose additional requirements and regulations on all nuclear generation facilities, including PVNGS. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit and to promulgate new regulations that could require significant capital expenditures and/or increase operating costs.

In the event of noncompliance with its requirements, the NRC has the authority to impose a progressively increasing inspection regime that could ultimately result in the shutdown of a unit, civil penalties, or both, depending upon the NRC's assessment of the severity of the situation, until compliance is achieved. Increased costs resulting from penalties, a heightened level of scrutiny, and/or implementation of plans to achieve compliance with NRC requirements could adversely affect the financial condition, results of operations, and cash flows of PNMR and PNM. Although PNM has no reason to anticipate a serious nuclear incident at PVNGS, if an incident did occur, it could materially and adversely affect PNM's results of operations and financial condition.

PNM has external insurance coverage to minimize its financial exposure to some risks. However, it is possible that liabilities associated with nuclear operations could exceed the amount of insurance coverage. See Note 16.

Peak demand for power could exceed forecasted supply capacity, resulting in increased costs for purchasing capacity in the market or building additional generation facilities and/or battery storage facilities.

PNM is obligated to supply power to retail customers. As PNM continues to complete the significant transition in generation resources necessary to achieve 100% carbon emission-free generation by 2040, there are certain potential deliverability and cost risks associated with this transition. These risks are in three main areas, including 1) risk of completion of replacement resources prior to planned generation unit retirements, 2) increasing levels of renewable generation presenting risks of uncertainty and variability that will be further compounded as neighboring systems transition towards increasing levels of renewable resources, and 3) risks for mitigating possible resource volatility through a shrinking energy market.

At peak times, power demand could exceed PNM's forecasted available generation capacity, particularly if PNM's power plants are not performing as anticipated and additional resources are not approved as PNM transitions its system to carbon emission-free generation and battery storage. Availability of this technology may create additional strain on the system by adding these additional resources without adequate storage. Additionally, further advances in the technology of renewable resources may need to occur in order to ensure that these resources meet carbon emission-free standards. Competitive market forces or adverse regulatory actions may require PNM to purchase capacity and energy from the market or build additional resources to meet customers' energy needs in an expedited manner. If that occurs, PNM may see opposition to recovery of these additional costs and could experience a lag between when costs are incurred and when regulators permit recovery in customers' rates. These situations could have negative impacts on results of operations and cash flows.

Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects. All four project developers have notified PNM that completion of the projects will be delayed and no longer available for most, if any of the 2022 summer peak load period. PNM's existing resources, including available reserves, may be insufficient for 2022 summer peak load reliability considering these delays. PNM has entered into agreements to purchase power from third parties to minimize potential impacts to customers during the 2022 summer peak load period. PNM likely faces the same concerns in the summer of 2023 as a result of delays in the NMPRC approval of replacement resources for the PVNGS leased capacity that expire in January 2023. Prolonged regulatory approval of replacement resources for PVNGS leased capacity, continued delays in replacement resources for SJGS, availability of resources and increased costs for purchasing capacity may negatively impact the results of operations and cash flows. See Note 17.

On May 26, 2021, the NMPRC opened a docket initiating a rulemaking in order to streamline IRP proceedings and allow NMPRC oversight of utility resource procurement practices. On June 7, 2021 the NMPRC issued an Order providing a proposed rule governing IRP and Procurement practices. The proposed rule establishes the NMPRC approval process for the IRP and requirements for the utility to proceed with a Request for Proposal (RFP) for any required resources, which would also be subject to NMPRC and stakeholder oversight and NMPRC approval. The process would require the utility to make available to any stakeholder its modeling and data in order to allow independent alternative analysis of resources, and also provides for the NMPRC to assign an Independent Evaluator at its discretion. PNM and other parties provided comments indicating that the NMPRC lacks authority to impose many of the proposed requirement for both IRP and utility resource procurement practices. The proposed oversight of the procurement process is likely to prevent a utility's timely acquisition of necessary resources and may inhibit competitive procurement.

Difficulties in obtaining permits and rights-of-way could negatively impact PNM's results of operations.

PNM's ability to execute planned operational activities and projects may be inhibited by difficulties in obtaining permits and rights-of-way and other delays. Many of PNM's transmission and distribution lines cross federal, state, and tribal lands. The Company can experience significant delays in obtaining approvals for new infrastructure, as well as renewals of existing rights-of-way and access for critical maintenance, including vegetation management on these lands. The environmental regulations governing siting and permitting on federal, state, and tribal lands are complex, involve multiple agencies, and include a public process. Any of these risk factors could result in higher costs, delays, or the inability to complete planned projects.

General Economic and Weather Risks

The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect the Company's business, results of operations, financial condition, cash flows, and the trading value of PNMR's common stock and the Company's debt securities.

The scale and scope of the ongoing COVID-19 outbreak, the resulting global pandemic, and the impact on the economy and financial markets could adversely affect the Company's business, results of operations, financial condition, cash flows, and access to the capital markets. The Company provides critical electric services and has implemented business continuity and emergency response plans to continue to provide these services to its customers and to support the Company's operations. The Company is also working to ensure the health and safety of its employees is not compromised. These measures include precautions with regard to employee and facility hygiene, travel limitations, allowing certain employees to continue to work remotely whenever possible, and protocols for required work within customer premises to protect our employees, customers and the public. We are also working with our suppliers to understand and mitigate the potential impacts to our supply chain and have taken steps to ensure the integrity of our information systems.

However, there is no assurance that the continued spread of COVID-19 and efforts to contain the virus will not adversely impact our business, results of operations, financial condition, cash flows, ability to access the capital markets, and the trading value of the Company's common stock and debt securities. The continued spread of COVID-19 and related efforts to contain the virus could adversely impact the Company by:

- reducing usage and/or demand for electricity by our customers in New Mexico and Texas;
- reducing the availability and productivity of our employees;
- increasing costs as a result of our emergency measures, including costs to ensure the safety of our employees, security of our information systems and delayed payments from our customers and uncollectable accounts;
- causing delays and disruptions in the availability of and timely delivery of materials and components used in our operations;
- causing delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain projects;

- causing a deterioration in the credit quality of our counterparties, including power purchase agreement providers, contractors or retail customers, that could result in credit losses;
- causing impairments of goodwill or long-lived assets and adversely impacting the Company's ability to develop, construct and operate facilities;
- impacting the Company's ability to meet the requirements of the covenants in our existing credit facilities, including covenants regarding debt to capitalization;
- causing a deterioration in our financial metrics or the business environment that impacts our credit ratings;
- decreasing the value of our investment securities held in trusts for pension and other postretirement benefits, and for nuclear decommissioning and coal mine reclamation, which could lead to increased funding requirements;
- impacting our liquidity position and cost of and ability to access funds from financial institutions and capital markets;
- receiving unfavorable regulatory treatment in recovery of bad debt expense incurred during the Governor of New Mexico's emergency executive order; and
- causing other unpredictable events.

General economic conditions of the nation and/or specific areas can affect the Company's customers and suppliers. Economic recession or downturn may result in decreased consumption by customers and increased bad debt expense, and could also negatively impact suppliers, all of which could negatively affect the Company.

Economic activity in the service territories of PNMR subsidiaries is a key factor in their performance. Decreased economic activity can lead to declines in energy consumption, which could adversely affect future revenues, earnings, and growth. Higher unemployment rates, both in the Company's service territories and nationwide, could result in commercial customers ceasing operations and lower levels of income for residential customers. These customers might then be unable to pay their bills on time, which could increase bad debt expense and negatively impact results of operations and cash flows. Economic conditions also impact the supply and/or cost of commodities and materials needed to construct or acquire utility assets or make necessary repairs.

The operating results of PNMR and its operating subsidiaries are seasonal and are affected by weather conditions, including regional drought.

Electric generation, transmission, and distribution are generally seasonal businesses that vary with the demand for power. With power consumption typically peaking during the hot summer months, revenues traditionally peak during that period. As a result, quarterly operating results of PNMR and its operating subsidiaries vary throughout the year. In addition, PNMR and its operating subsidiaries have historically had lower revenues resulting in lower earnings when weather conditions are milder. Unusually mild weather in the future could reduce the revenues, net earnings, and cash flows of the Company.

Drought conditions in New Mexico, especially in the "four corners" region, where SJGS and Four Corners are located, may affect the water supply for PNM's generating plants. If inadequate precipitation occurs in the watershed that supplies that region, PNM may have to decrease generation at these plants. This would require PNM to purchase power to serve customers and/or reduce the ability to sell excess power on the wholesale market and reduce revenues. Drought conditions or actions taken by the court system, regulators, or legislators could limit PNM's supply of water, which would adversely impact PNM's business. Although SJGS and Four Corners participate in voluntary shortage sharing agreements with tribes and other water users in the "four corners" region, PNM cannot be certain these contracts will be enforceable in the event of a major drought or that it will be able to renew these contracts in the future.

TNMP's service areas are exposed to extreme weather, including high winds, drought, flooding, ice storms, and periodic hurricanes. Extreme weather conditions, particularly high winds and severe thunderstorms, also occur periodically in PNM's service areas. These severe weather events can physically damage facilities owned by TNMP and PNM. Any such occurrence both disrupts the ability to deliver energy and increases costs. Extreme weather can also reduce customers' usage and demand for energy or could result in the Company incurring obligations to third parties related to such events. These factors could negatively impact results of operations and cash flows.

As discussed in Note 16, in February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. ERCOT declared its highest state of emergency, an Emergency Energy Alert Level 3 (EEA3), due to exceptionally high electric demand exceeding supply amid the arctic temperatures. Ultimately, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. In response to the severe winter weather, the Governor of Texas issued a Declaration of a State of Disaster for all counties in Texas. Additionally, to assist in the recovery from the emergency conditions, the PUCT issued an order that placed a temporary moratorium on customer disconnections due to non-payment for transmission and distribution utilities that ended in June 2021. Consequently, the duration of the severe winter storm and high energy costs posed a financial hardship to REPs in the ERCOT region. The Texas Attorney General issued civil investigation demands to ERCOT and 11 power companies in Texas related to power outages, emergency plans, energy pricing and other factors associated with the severe weather storm. While TNMP has regulatory authorization to defer bad debt expense from REPs to a regulatory asset and seek recovery in a future general rate case, it intends to fully cooperate with all regulatory directives and inquiries made by the PUCT, the Texas Attorney General, and any other regulatory agencies. Various market participants, including TNMP, have been named as defendants in lawsuits relating to the February 2021 winter weather power outages. As a transmission and distribution utility operating during that weather event, TNMP could be named in additional suits.

The impact of wildfires could negatively affect PNM’s and TNMP’s results of operations.

PNM and TNMP have large networks of electric transmission and distribution facilities. Weather conditions in the U.S. Southwest region and Texas vary and could contribute to wildfires in or near PNM’s and TNMP’s service territories. PNM and TNMP take proactive steps to mitigate wildfire risk. However, wildfire risk is always present and PNM and TNMP could be held liable for damages incurred as a result of wildfires caused, or allegedly caused, by their transmission and distribution systems. In addition, wildfires could cause damage to PNM’s and TNMP’s assets that could result in loss of service to customers or make it difficult to supply power in sufficient quantities to meet customer needs. These events could have negative impacts on the Company’s financial position, results of operations, and cash flows.

Risks Relating to the Proposed Merger with Avangrid

There is no assurance when or if the proposed Merger will be completed.

Completion of the proposed Merger is subject to the satisfaction or waiver of a number of conditions as set forth in the Merger Agreement, including regulatory approval and other customary closing conditions. There can be no assurance that the conditions to completion of the proposed Merger will be satisfied or waived or that other events will not intervene to delay or result in the failure to close the proposed Merger. In particular, as discussed in more detail below, the NMPRC issued a negative ruling on the merger in December 2021 and in January 2022 PNMR filed a notice of appeal with the New Mexico Supreme Court. At this time PNMR and Avangrid amended the Merger Agreement to extend the End Date to April 20, 2023. It is not possible at this time to predict if or when the merger will receive the required approval from the NMPRC.

In addition, each of Avangrid and PNMR may unilaterally terminate the Merger Agreement under certain circumstances, and Avangrid and PNMR may agree at any time to terminate the Merger Agreement, even though PNMR shareholders have already approved the Merger Agreement.

Avangrid and PNMR may be unable to obtain the regulatory approvals required to complete the proposed Merger.

In addition to other conditions set forth in the Merger Agreement, completion of the proposed Merger is conditioned upon the receipt of various state and U.S. federal regulatory approvals, including, but not limited to, approval by NMPRC, PUCT, FERC, NRC and the FCC. Avangrid and PNMR have made various filings and submissions and will pursue all required consents, orders and approvals in accordance with the Merger Agreement. In March 2021, PNMR and Avangrid received FCC approval of the transfer of operating licenses related to the Merger. In April 2021, FERC issued an order authorizing the Merger. In May 2021 the PUCT issued an order authorizing the Merger and the NRC approved the Merger. On December 8, 2021 the NMPRC issued an order rejecting the amended stipulation reached by the parties, see Note 17. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court, and PNM filed its Statement of Issues with the NM Supreme Court on February 2, 2022. In light of the NMPRC December 8, 2021 ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid each agreed to extend the End Date to April 20, 2023. As a result of the delay in closing the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid will be required to make a new filing under the HSR Act and requested extensions of the previously granted approvals from the FCC and NRC. No additional filings will be required with CFIUS, FERC or the PUCT. These consents, orders and approvals may impose requirements, limitations or costs or place restrictions, and if such consents, orders and approvals require an extended period of time to be obtained, such extended period of time could increase the chance that an event occurs that constitutes a material adverse effect with respect to PNMR and thereby may allow Avangrid not to complete the proposed Merger. Such extended period of time also may increase the chance that other adverse effects with respect to PNMR could occur, such as the loss of key personnel. Further, no assurance can be given that the required consents, orders and approvals will be obtained or that the required conditions to closing will be satisfied.

The announcement and pendency of the proposed Merger, during which PNMR is subject to certain operating restrictions, could have an adverse effect on PNMR’s businesses, results of operations, financial condition or cash flows and our ability to access the capital markets.

The announcement and pendency of the proposed Merger could disrupt PNMR’s businesses, and uncertainty about the effect of the Merger may have an adverse effect on PNMR. These uncertainties could disrupt the business of PNMR and cause suppliers, vendors, partners and others that deal with PNMR to defer entering into contracts with PNMR or making other decisions concerning PNMR or seek to change or cancel existing business relationships with PNMR. In addition, PNMR’s employees may experience uncertainty regarding their roles after the Merger. For example, employees may depart either before the completion of the Merger because of such uncertainty and issues relating to the difficulty of coordination or a desire not to remain following the Merger; and the pendency of the Merger may adversely affect PNMR’s ability to retain, recruit and motivate key personnel. Additionally, the Merger requires PNMR to obtain Avangrid’s consent prior to taking certain specified actions while the Merger is pending. These restrictions may prevent PNMR from pursuing otherwise attractive business opportunities or other capital structure alternatives and making other changes to its business or executing certain of its business strategies prior to the completion of the Merger. Further, the Merger may impact our ability to access the capital markets and could give rise to potential liabilities, including as a result of future shareholder lawsuits relating to the Merger. Any of these matters could adversely affect the businesses of, or harm the results of operations, financial condition or cash flows of PNMR.

PNMR will incur substantial transaction fees and costs in connection with the proposed Merger.

PNMR has incurred and expects to incur additional material non-recurring expenses in connection with the proposed Merger and completion of the transactions contemplated by the Merger Agreement. Further, even if the proposed Merger is not completed, PNMR will need to continue to pay certain costs relating to the proposed Merger incurred prior to the date the proposed Merger was abandoned, such as legal, accounting, financial advisory, filing and printing fees.

The termination of the Merger Agreement could negatively impact PNMR.

If the Merger is not completed for any reason, the ongoing businesses of PNMR may be adversely affected and, without realizing any of the anticipated benefits of having completed the Merger, PNMR would be subject to a number of risks, including the following:

- PNMR may experience negative reactions from the financial markets, including a decline of its stock price (which may reflect a market assumption that the Merger will be completed);
- PNMR may experience negative reactions from its customers, regulators and employees;
- PNMR may be required to pay certain costs relating to the Merger, whether or not the Merger is completed; and
- Matters relating to the Merger will have required substantial commitments of time and resources by PNMR management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to PNMR as an independent company.

If the Merger Agreement is terminated and the Board seeks another merger, business combination or other transaction, PNMR shareholders cannot be certain that PNMR will be able to find a party willing to offer equivalent or more attractive consideration than the consideration PNMR shareholders would receive in the Merger.

The Merger Agreement contains provisions that prevent a potential alternative acquirer that might be willing to pay more to acquire PNMR.

The Merger Agreement contains customary “no shop” provisions which state that we will not solicit or facilitate proposals regarding a merger or similar transaction with another party while the Merger Agreement is in effect. In January 2022, the End Date in the Merger Agreement was extended to April 20, 2023. These provisions prevent a potential third-party acquirer from considering or proposing an alternative acquisition, even if it were prepared to pay consideration with a higher value than that proposed to be paid in the Merger.

Financial Risks

PNMR may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay dividends or distributions to PNMR.

PNMR is a holding company and has no operations of its own. PNMR’s ability to meet its financial obligations and to pay dividends on its common stock primarily depends on the net earnings and cash flows of PNM and TNMP and their capacity to pay upstream dividends or distributions. Prior to providing funds to PNMR, PNM and TNMP have financial and regulatory obligations that must be satisfied, including among others, debt service and, in the case of PNM, preferred stock dividends.

The NMPRC has placed certain restrictions on the ability of PNM to pay dividends to PNMR, including that PNM cannot pay dividends that cause its debt rating to fall below investment grade. The NMPRC has also restricted PNM from paying dividends in any year, as determined on a rolling four-quarter basis, in excess of net earnings without prior NMPRC approval. PNM is permitted to pay dividends to PNMR from prior equity contributions made by PNMR. Additionally, PNMR’s financing agreements generally include a covenant to maintain a debt-to-capitalization ratio that does not exceed 70%, and PNM and TNMP’s financing arrangements generally include a covenant to maintain debt-to-capitalization ratios that do not exceed 65%. PNM also has various financial covenants that limit the transfer of assets, through dividends or other means and the Federal Power Act imposes certain restrictions on dividends paid by public utilities, including that dividends cannot be paid from paid-in capital.

Further, the ability of PNMR to declare dividends depends upon the extent to which cash flows will support dividends, the Company’s financial circumstances and performance, economic conditions in the U.S. and in the Company’s service areas, future growth plans and the related capital requirements, and other business considerations. Declaration of dividends may also be affected by decisions of the NMPRC, FERC, and PUCT in various regulatory cases currently pending or that may be docketed in the future, including the outcome of appeals of those decisions, conditions imposed by the NMPRC, PUCT, or Federal Power Act, and the effect of federal regulatory decisions and legislative acts.

Disruption in the credit and capital markets may impact the Company's strategy and ability to raise capital.

As discussed in MD&A – Liquidity and Capital Resources, PNMR and its subsidiaries rely on access to both short-term and longer-term capital markets as sources of liquidity for any capital requirements not satisfied by cash flow from operations. In general, the Company relies on its short-term credit facilities as the initial source to finance construction expenditures. This results in increased borrowings under the facilities over time. The Company is currently projecting total construction expenditures for the years 2022-2026 to be $4.2 billion. If PNMR or its operating subsidiaries are not able to access capital at competitive rates, or at all, PNMR's ability to finance capital requirements and implement its strategy will be limited. Disruptions in the credit markets, which could negatively impact the Company's access to capital, could be caused by an economic recession, declines in the health of the banking sector generally or the failure of specific banks who are parties to the Company's credit facilities, deterioration in the overall health of the utility industry, the bankruptcy of an unrelated energy company, war, terrorist attacks, cybersecurity attacks, or threatened attacks.

If the Company's cash flow and credit and capital resources are insufficient to fund capital expenditure plans, the Company may be forced to delay important capital investments, sell assets, seek additional equity or debt capital, or restructure debt. In addition, insufficient cash flows and capital resources may result in reductions of credit ratings. This could negatively impact the Company's ability to incur additional indebtedness on acceptable terms and would result in an increase in the interest rates applicable under the Company's credit facilities. The Company's cash flow and capital resources may be insufficient to pay interest and principal on debt in the future. If that should occur, the Company's capital raising or debt restructuring measures may be unsuccessful or inadequate to meet scheduled debt service obligations. This could cause the Company to default on its obligations and further impair liquidity.

Reduction in credit ratings or changing rating agency requirements could materially and adversely affect the Company's growth, strategy, business, financial position, results of operations, and liquidity.

PNMR, PNM, and TNMP cannot be sure that any of their current credit ratings will remain in effect for any given period of time or that a rating will not be put under review for a downgrade, lowered, or withdrawn entirely by a rating agency. As discussed in MD&A - Liquidity and Capital Resources, all of PNMR, PNM, and TNMP debt ratings are investments grade. Downgrades or changing requirements could result in increased borrowing costs due to higher interest rates on current borrowings or future financings, a smaller potential pool of investors, and decreased funding sources. Such conditions also could require the provision of additional support in the form of letters of credit and cash or other collateral to various counterparties.

Declines in values of marketable securities held in trust funds for pension and other postretirement benefits and in the NDT and coal mine reclamation trusts could result in sustained increases in costs and funding requirements for those obligations, which may affect operational results.

The pension plans' targeted asset allocation is 50% liability matching fixed and 50% return generating income, which includes alternative income. The Company uses a strategy, known as Liability Driven Investing, which seeks to select investments that match the liabilities of the pension plans. The OPEB plans generally use the same pension fixed income and equity investment managers and utilize the same overall investment strategy as the pension plans, except there is no allocation to alternative investments and the OPEB plans have a target asset allocation of 30% equities and 70% fixed income.

The NDT investment portfolio maintains a target of 80% fixed income and 20% equity securities. The current asset allocation exposes the NDT investment portfolio to market and macroeconomic factors. Declines in market values could result in increased funding of the trusts, the recognition of losses as impairments for the NDT and coal mine reclamation trusts, and additional expense for the benefit plans. In addition, a change in GAAP required that all changes in the fair value of equity securities recorded on the Company's balance sheet be reflected in earnings, which results in increased volatility in earnings.

Impairments of goodwill and long-lived assets of PNMR, PNM, and TNMP could adversely affect the Company's business, financial position, liquidity, and results of operations.

The Company annually evaluates recorded goodwill for impairment. See Note 1 and the Critical Accounting Policies and Estimates section of MD&A. Long-lived assets are also assessed whenever indicators of impairment exist. Factors that affect the long-term value of these assets, including treatment by regulators in ratemaking proceedings, as well as other economic and market conditions, could result in impairments. Significant impairments could adversely affect the Company's business, financial position, liquidity, and results of operations.

PNM's PVNGS leases describe certain events, including "Events of Loss" and "Deemed Loss Events", the occurrence of which could require PNM to take ownership of the underlying assets and pay the lessors for the assets.

The "Events of Loss" generally relate to casualties, accidents, and other events at PVNGS, including the occurrence of specified nuclear events, which would severely adversely affect the ability of the operating agent, APS, to operate, and the ability of PNM to earn a return on its interests in PVNGS. The "Deemed Loss Events" consist primarily of legal and regulatory changes (such as issuance by the NRC of specified violation orders, changes in law making the sale and leaseback transactions illegal, or changes in law making the lessors liable for nuclear decommissioning obligations). PNM believes that the probability of such "Events of Loss" or "Deemed Loss Events" occurring is remote for the following reasons: (1) to a large extent, prevention of "Events of Loss" and some "Deemed Loss Events" is within the control of the PVNGS participants through the general PVNGS operational and safety oversight process; and (2) other "Deemed Loss Events" would involve a significant change in current law and policy. PNM is unaware of any proposals pending or being considered for introduction in Congress, or in any state legislative or regulatory body that, if adopted, would cause any of those events. Furthermore, the NRC places restrictions on the ownership of nuclear generating facilities. These restrictions could limit the transfer of ownership of the assets underlying all or a portion of its current leased interests in PVNGS. PNM and SRP entered into an Asset Purchase and Sale Agreement, pursuant to which PNM agreed to sell to SRP certain PNM-owned assets and nuclear fuel necessary to the ongoing operation and maintenance of leased capacity in PVNGS Unit 1 and Unit 2, which SRP has agreed to acquire from the lessors upon termination of the existing leases. The proposed transaction between PNM and SRP has been approved by the NRC for the transfer of the associated possessory licenses at the end of the term of each of the respective leases. If the proposed transaction is not consummated, PNM may be required to retain all or a portion of its currently leased capacity in PVNGS or be exposed to other claims for damages by the lessors. See Note 8. If these events were to occur, there is no assurance PNM would be provided cost recovery from customers.

The impacts and implementation of U.S. tax reform legislation may negatively impact PNMR's, PNM's, and TNMP's businesses, financial position, results of operations, and cash flows.

On December 22, 2017, comprehensive changes in U.S. federal income taxes were enacted through legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act"). Among other things, the Tax Act reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018, eliminated federal bonus depreciation for utilities, and limited interest deductibility for non-utility business activities and the deductibility of certain officer compensation. During 2018, the IRS issued additional guidance related to certain officer compensation and proposed regulations on interest deductibility that provided a 10% "de minimis" exception allowing entities with predominantly regulated activities to fully deduct interest expenses. In addition, the IRS issued proposed regulations interpreting Tax Act amendments to depreciation provisions of the IRC that allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service subsequent to the third quarter of 2017.

The Company believes that the impacts of the Tax Act will not significantly impact the future earnings of regulated activities due to the ratemaking process. However, cash flows will be reduced in the near term due to less cash being received from customer billings as the benefits of the reduced corporate income tax are passed on to ratepayers, but without a corresponding reduction in income taxes paid due to the Company having a net operating loss carryforward for income taxes purposes. In addition, the income tax benefit of net losses for the unregulated activities of PNMR will be negatively impacted by the reduced rate.

It is possible that the Biden administration and Congress will make changes to provisions of the Tax Act or other tax laws. In addition, further changes to U.S. Treasury regulations, IRS interpretations of the current provisions of the Tax Act, and actions by the NMPRC, PUCT, and FERC could cause the Company's expectations of the impacts of the Tax Act to change. Any such changes could adversely affect the Company's financial position, results of operations, and cash flows.

Governance Risks

Provisions of PNMR's organizational documents, as well as several other statutory and regulatory factors, will limit another party's ability to acquire PNMR and could deprive PNMR's shareholders of the opportunity to receive a takeover premium for shares of PNMR's common stock.

PNMR's restated articles of incorporation and by-laws include a number of provisions that may have the effect of discouraging persons from acquiring large blocks of PNMR's common stock or delaying or preventing a change in control of PNMR. The material provisions that may have such an effect include:

- Authorization for the Board to issue PNMR's preferred stock in series and to fix rights and preferences of the series (including, among other things, voting rights and preferences with respect to dividends and other matters)
- Advance notice procedures with respect to any proposal other than those adopted or recommended by the Board
- Provisions specifying that only a majority of the Board, the chairman of the Board, the chief executive officer, or holders of at least one-tenth of all of PNMR's shares entitled to vote may call a special meeting of shareholders

Under the New Mexico Public Utility Act, NMPRC approval is required for certain transactions that may result in PNMR's change in control or exercise of control, including ownership of 10% or more of PNMR's voting stock. PUCT approval is required for changes to the ownership of TNMP or its parent and certain other transactions relating to TNMP. Certain acquisitions of PNMR's outstanding voting securities also require FERC approval.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PNMR

The significant properties owned by PNMR include those owned by PNM and TNMP and are disclosed below.

PNM

See Sources of Power in Part I, Item. 1 Business above for information on PNM's owned and leased capacity in electric generating stations. As of December 31, 2021, PNM owned, or jointly owned, 3,426 miles of electric transmission lines, 5,751 miles of distribution overhead lines, 5,765 miles of underground distribution lines (excluding street lighting), and 250 substations. PNM's electric transmission and distribution lines are generally located within easements and rights-of-way on public, private, and Native American lands. PNM owns and leases interests in PVNGS Units 1 and 2 and related property, communication, office and other equipment, office space, vehicles, and real estate. PNM also owns service and office facilities throughout its service territory. See Note 8 for additional information concerning leases.

TNMP

TNMP's facilities consist primarily of transmission and distribution facilities located in its service areas. TNMP also owns and leases vehicles, service facilities, and office locations throughout its service territory. As of December 31, 2021, TNMP owned 983 miles of overhead electric transmission lines, 7,297 miles of overhead distribution lines, 1,408 miles of underground distribution lines, and 113 substations. Substantially all of TNMP's property is pledged to secure its first mortgage bonds. See Note 7.

ITEM 3. LEGAL PROCEEDINGS

See Note 16 and Note 17 for information related to the following matters for PNMR, PNM, and TNMP, incorporated in this item by reference.

Note 16

- Cooling Water Intake Structures
- Santa Fe Generating Station
- San Juan River Adjudication
- Navajo Nation Allottee Matters

Note 17

- PNMR– Merger Regulatory Proceedings
- PNM – 2020 Decoupling
- PNM – 2020 Integrated Resource Plans
- PNM – SJGS Abandonment Application
- PNM – Four Corners Abandonment Application
- PNM – PVNGS Leased Interest Abandonment Application
- PNM – FERC Compliance
- TNMP – Transmission Cost of Service Rates

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

SUPPLEMENTAL ITEM – INFORMATION ABOUT EXECUTIVE OFFICERS OF PNM RESOURCES, INC.

All officers are elected annually by the Board of PNMR. Executive officers, their ages as of February 18, 2022 and offices held with PNMR for the past five years are as follows:

Name	Age	Office	Initial Effective Date
P. K. Collawn	63	Chairman, President, and Chief Executive Officer	January 2012
J. D. Tarry	51	Senior Vice President and Chief Financial Officer	January 2020
		Vice President, Controller and Treasurer	September 2018
		Vice President, Finance and Controller	February 2017
		Vice President, Corporate Controller, and Chief Information Officer	April 2015
C. N. Eldred	68	Executive Vice President, Corporate Development and Finance	January 2020
		Executive Vice President and Chief Financial Officer	July 2007
P. V. Apodaca	70	Senior Vice President, General Counsel, and Secretary	January 2010
R. N. Darnell	64	Senior Vice President, Public Policy	January 2012
C. M. Olson	64	Senior Vice President, Utility Operations	February 2018
		Vice President, Utility Operations	December 2016

PART II

ITEM 5. MARKET FOR PNMR'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

PNMR's common stock is traded on the New York Stock Exchange under the symbol "PNM".

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 $0.3275 per share in July 2021 and $0.3075 per share in July 2020. The Board declared dividends on common stock considered to be for the third quarter of $0.3275 per share in September 2021 and $0.3075 per share in September 2020. In February 2022, the Board increased the quarterly dividend from $0.3275 to $0.3475 per share and in December 2020 the Board increased the quarterly dividend from $0.3075 to $0.3275 per share. PNMR targets a long-term dividend payout ratio of 55% of ongoing earnings, which is a non-GAAP financial measure, that excludes from GAAP earnings certain non-recurring, infrequent, and other items that are not indicative of fundamental changes in the earnings capacity of the Company's operations. PNMR uses ongoing earnings to evaluate the operations of the Company and to establish goals, including those used for certain aspects of incentive compensation, for management and employees.

On February 18, 2022, there were 7,513 holders of record of PNMR's common stock. All of the outstanding common stock of PNM and TNMP is held by PNMR.

As discussed in Note 7, in January 2020, PNMR completed an equity offering of approximately 6.2 million shares of common stock. In lieu of issuing equity at the time of the offering, PNMR entered into forward sale agreements with certain forward counterparties. On December 15, 2020 PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of $45.805 per share, aggregating net proceeds of $283.1 million.

All of PNM's and TNMP's common stock is owned by PNMR and is not listed for trading on any stock exchange. See Note 6 for a discussion on limitations on the payments of dividends and the payment of future dividends, as well as dividends paid by PNM and TNMP.

See Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Preferred Stock

As of December 31, 2021, PNM has 115,293 shares of cumulative preferred stock outstanding. PNM is not aware of any active trading market for its cumulative preferred stock. Quarterly cash dividends were paid on PNM's outstanding cumulative preferred stock at the stated rates during 2021 and 2020. PNMR and TNMP do not have any preferred stock outstanding.

Sales of Unregistered Securities

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations for PNMR is presented on a combined basis, including certain information applicable to PNM and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. The MD&A for PNM and TNMP is presented as permitted by Form 10-K General Instruction I (2) as amended by the FAST Act. For additional information related to the earliest of the two years presented please refer to the Company's 2020 Annual Report on Form 10-K. A reference to a "Note" in this Item 7 refers to the accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, unless otherwise specified. Certain of the tables below may not appear visually accurate due to rounding.

MD&A FOR PNMR

EXECUTIVE SUMMARY

Overview and Strategy

PNMR is a holding company with two regulated utilities serving approximately 806,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas. PNMR's electric utilities are PNM and TNMP. PNMR strives to create a clean and bright energy future for customers, communities, and shareholders. PNMR's strategy and decision-making are focused on safely providing reliable, affordable, and environmentally responsible power built on a foundation of Environmental, Social and Governance (ESG) principles.

Recent Developments

Merger

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

Pursuant to the Merger Agreement, each issued and outstanding share of the common stock of PNMR (other than (i) the issued shares of PNMR common stock that are owned by Avangrid, Merger Sub, PNMR or any wholly-owned subsidiary of Avangrid or PNMR, which will be automatically cancelled at the Effective Time and (ii) shares of PNMR common stock outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of, or consented in writing to, the Merger who is entitled to, and who has demanded, payment for fair value of such shares) at the Effective Time will be converted into the right to receive $50.30 in cash.

The Merger Agreement provided that it may be terminated if the Effective Time shall not have occurred by the End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. On December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger and the approval of the Merger from the NMPRC has not yet been obtained.

In light of the NMPRC ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid each agreed to extend the End Date to April 20, 2023. The parties acknowledge in the Amendment that the required regulatory approval from the NMPRC has not been obtained and that the parties have reasonably determined that such outstanding approval will not be obtained by April 20, 2022. As amended, the Merger Agreement may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Merger is not consummated by April 20, 2023.

With respect to the NMPRC proceedings, on April 20, 2021, the Joint Applicants, the NMAG, WRA, the International Brotherhood of Electrical Workers Local 611, Dine, Nava Education Project, the San Juan Citizens Alliance and To Nizhoni Ani, had entered into a stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. Subsequently, CCAE, Onward Energy Holdings LLC, Walmart Inc., Interwest Energy Alliance, M-S-R Power and the Incorporated County of Los Alamos joined an amended stipulation. An evidentiary hearing was held in August 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal.

With respect to other regulatory proceedings related to the Merger, in January 2021, the FTC notified PNMR and Avangrid that early termination of the waiting period under the HSR Act in connection with the Merger was granted. In February 2021, CFIUS completed its review of the Merger and concluded that there are no unresolved national security concerns with respect to the Merger. In March 2021, PNMR and Avangrid received FCC approval of the transfer of operating licenses related to the Merger. In April 2021, FERC issued an order authorizing the Merger. In May 2021, the PUCT issued an order authorizing the Merger, and the NRC approved the Merger. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid are required to make a new filing under the HSR Act and request extensions of approvals previously received from the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. No additional filings will be required with CFIUS, FERC or the PUCT.

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approval from the NMPRC, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and is in full force and effect and related filings have been made with the NMPRC.

EIM

On April 1, 2021, PNM joined and began participating in the EIM. The EIM is a real-time wholesale energy trading market operated by the CAISO that enables participating electric utilities to buy and sell energy. The EIM aggregates the variability of electricity generation and load for multiple balancing authority areas and utility jurisdictions. In addition, the EIM facilitates greater integration of renewable resources through the aggregation of flexible resources by capturing diversity benefits from the expanding geographic footprint and the expanded potential uses for those resources. PNM completed a cost-benefit analysis, which indicated participation in the EIM would provide substantial benefits to retail customers. In 2018, PNM filed an application with the NMPRC requesting, among other things, to recover initial capital investments and authorization to establish a regulatory asset to recover other expenses that would be incurred in order to join the EIM. The NMPRC approved the establishment of a regulatory asset but deferred certain rate making issues, including but not limited to issues related to implementation and ongoing EIM costs and savings, the prudence and reasonableness of costs to be included in the regulatory asset, and the period over which costs would be charged to customers until PNM's next general rate case filing. PNM has already experienced $12.5 million of costs savings to customers through participation in the EIM. See Note 17.

Texas Winter Storm

In mid-February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail the delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. TNMP has deferred bad debt expense from defaulting REPs to a regulatory asset totaling $0.8 million at December 31, 2021, and will seek recovery in a general rate case. At this time, the Company does not expect significant financial impacts related to this event. For additional information on the Texas winter storm, see Note 16.

Financial and Business Objectives

PNMR is focused on achieving three key financial objectives:

- Earning authorized returns on regulated businesses
- Delivering at or above industry-average earnings and dividend growth
- Maintaining investment grade credit ratings

In conjunction with these objectives, PNM and TNMP are dedicated to:

- Maintaining strong employee safety, plant performance, and system reliability
- Delivering a superior customer experience
- Demonstrating environmental stewardship in business operations, including transitioning to an emissions-free generating portfolio by 2040
- Supporting the communities in their service territories

Earning Authorized Returns on Regulated Businesses

PNMR's success in accomplishing its financial objectives is highly dependent on two key factors: fair and timely regulatory treatment for its utilities and the utilities' strong operating performance. The Company has multiple strategies to achieve favorable regulatory treatment, all of which have as their foundation a focus on the basics: safety, operational excellence, and customer satisfaction, while engaging stakeholders to build productive relationships. Both PNM and TNMP seek cost recovery for their investments through general rate cases, periodic cost of service filings, and various rate riders.

Fair and timely rate treatment from regulators is crucial to PNM and TNMP in earning their allowed returns and critical for PNMR to achieve its financial objectives. PNMR believes that earning allowed returns is viewed positively by credit rating agencies and that improvements in the Company's ratings could lower costs to utility customers. Additional information about rate filings is provided in Note 17.

State Regulation

The rates PNM and TNMP charge customers are subject to traditional rate regulation by the NMPRC, FERC, and the PUCT.

New Mexico 2016 Rate Case – In January 2018, the NMPRC approved a settlement agreement that authorized PNM to implement an increase in base non-fuel rates of $10.3 million, which included a reduction to reflect the impact of the decrease in the federal corporate income tax rate and updates to PNM's cost of debt (aggregating $47.6 million annually). This order was on PNM's application for a general increase in retail electric rates filed in December 2016 (the "NM 2016 Rate Case"). The key terms of the order include:

- A ROE of 9.575%
- A requirement to return to customers over a three-year period the benefit of the reduction in the New Mexico corporate income tax rate to the extent attributable to PNM's retail operations (Note 18)
- A disallowance of PNM's ability to collect an equity return on certain investments aggregating $148.1 million at Four Corners, but allowing recovery of a debt-only return
- An agreement to not implement non-fuel base rate changes, other than changes related to PNM's rate riders, with an effective date prior to January 1, 2020
- A requirement to consider the prudency of PNM's decision to continue its participation in Four Corners in PNM's next general rate case filing

PNM implemented 50% of the approved increase for service rendered beginning February 1, 2018 and implemented the rest of the increase for service rendered beginning January 1, 2019.

On December 29, 2020, Sierra Club filed a motion to re-open the NM 2016 Rate Case. The motion requests that the NMPRC re-open the NM 2016 Rate Case for the limited purpose of conducting a prudence review of certain Four Corners capital expenditures that the NMPRC deferred in its order approving the settlement agreement. Alternatively, Sierra Club requested that the deferred prudence review be conducted, and given weight as appropriate, in the Four Corners Abandonment Application. On February 10, 2021, the NMPRC rejected Sierra Club's motion to re-open the NM 2016 Rate Case and stated that issues on whether the terms of the ETA provide an opportunity for consideration of prudence for Four Corners undepreciated investments included in a financing order or what effects the rates approved in the NM 2016 Rate Case may have on determining energy transition cost should be considered in the Four Corners Abandonment Application. For additional information on the Four Corners Abandonment Application see Note 17.

2020 Decoupling Petition – On May 28, 2020, PNM filed a petition for approval of a rate adjustment mechanism that would decouple the rates of its residential and small power rate classes. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the utility through volumetric charges. If approved, customer bills would not be impacted until January 1, 2022. On October 2, 2020, PNM requested an order to vacate the public hearing and stay the proceeding until the NMPRC decides whether to entertain a petition to issue a declaratory order resolving the issues raised in the motions to dismiss. On October 7, 2020, the hearing examiner approved PNM's request to stay the proceeding and vacate the public hearing and on October 30, 2020 PNM filed a petition for declaratory order asking the NMPRC to issue an order finding that full revenue decoupling is authorized by the EUEA. On March 17, 2021, the NMPRC issued an order granting PNM's petition for declaratory order which commences a proceeding to address petitions. Oral arguments were made on July 15, 2021. On January 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC find that the EUEA does not mandate the NMPRC to authorize or approve a full decoupling mechanism, defining full decoupling as limited to energy efficiency and load management measures and programs. The recommended decision also states that a utility may request approval of a rate adjustment mechanism to remove regulatory disincentives to energy efficiency and load management measures and programs through a stand-alone petition, as part of the utility's triennial energy efficiency application or a general rate case and that PNM is not otherwise precluded from petitioning for a rate adjustment mechanism prior to its next general rate case. Finally, the recommended decision stated that the EUEA does not permit the NMPRC to reduce a utility's ROE based on approval of a disincentive removal mechanism founded on removing regulatory disincentives to energy efficiency and load management measures and programs. The recommended decision does not specifically prohibit a downward adjustment to a utility's capital structure, based on approval of a disincentive removal mechanism. See Note 17. PNM cannot predict the outcome of this matter.

PVNGS Leased Interest Abandonment Application – On April 2, 2021, PNM filed the PVNGS Leased Interest Abandonment Application. In the application, PNM requested NMPRC authorization to decertify and abandon its Leased Interest and to create regulatory assets for the associated remaining undepreciated investments with consideration of cost recovery of the undepreciated investments in a future rate case. PNM also sought NMPRC approval to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP, which will be acquiring the Leased Interest from the lessors upon termination of the existing leases. In addition, PNM sought NMPRC approval for a 150 MW solar PPA combined with a 40 MW battery storage agreement and a stand-alone 100 MW battery storage agreement to replace the Leased Interest. To ensure system reliability and load needs are met in 2023, when a majority of the leases expire, PNM also requested NMPRC approval for a 300 MW solar PPA combined with a 150 MW battery storage agreement. On August 25, 2021, the NMPRC issued an order confirming PNM requires no further NMPRC authority to abandon the PVNGS Leased Interest and to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP. The order bifurcated the issue of approval of the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously and deferred a ruling on the other issues. On February 16, 2022, the NMPRC approved the two PPAs and three battery storage agreements. For additional information on PNM's Leased Interest and the associated abandonment application see Note 16 and Note 17.

Advanced Metering – Currently, TNMP has approximately 262,000 advanced meters across its service territory. Beginning in 2019, the majority of costs associated with TNMP’s AMS program are being recovered through base rates. On July 14, 2021, TNMP filed a request with the PUCT to consider and approve its final reconciliation of the costs spent on the deployment of AMS from April 1, 2018 through December 31, 2018 of $9.0 million and approve appropriate carrying charges until full collection. On September 13, 2021, the PUCT Staff filed a recommendation for approval of TNMP's application for substantially all costs. On October 2, 2020, TNMP filed an application with the PUCT for authorization to implement necessary technological upgrades of approximately $46 million to its AMS program by November 2022. On January 14, 2021, the PUCT approved TNMP’s application. TNMP will seek recovery of the investment associated with the upgrade in a future general rate proceeding or DCOS filing.

In February 2016, PNM filed an application with the NMPRC requesting approval of a project to replace its existing customer metering equipment with Advanced Metering Infrastructure (“AMI”), which was denied. As ordered by the NMPRC, PNM’s 2020 filing for energy efficiency programs to be offered in 2021, 2022, and 2023 included a proposal for an AMI pilot project, although PNM did not recommend the proposal due to the limited benefits that are cost-effective under a pilot structure. On September 17, 2020, the hearing examiner in the energy efficiency case issued a recommended decision recommending that PNM's proposed 2021 energy efficiency and load management program be approved, with the exception of the proposed AMI pilot program. On October 28, 2020, the NMPRC approved the recommended decision.

Rate Riders and Interim Rate Relief – The PUCT has approved mechanisms that allow TNMP to recover capital invested in transmission and distribution projects without having to file a general rate case. The PUCT also approved rate riders that allow TNMP to recover amounts related to energy efficiency and third-party transmission costs. The NMPRC has approved PNM recovering fuel costs through the FPPAC, as well as rate riders for renewable energy, energy efficiency, and the TEP. These mechanisms allow for more timely recovery of investments.

FERC Regulation

Rates PNM charges wholesale transmission customers are subject to traditional rate regulation by FERC. Rates charged to wholesale electric transmission customers, other than customers on the Western Spirit Line described below, are based on a formula rate mechanism pursuant to which rates for wholesale transmission service are calculated annually in accordance with an approved formula. The formula includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM’s annual financial report filed with FERC, as well as including projected transmission capital projects to be placed into service in the following year. The projections included are subject to true-up. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate.

In May 2019, PNM filed an application with FERC requesting approval to purchase and provide transmission service on the Western Spirit Line. All necessary approvals were obtained. In December 2021, PNM completed the purchase of the Western Spirit Line and service under related transmission agreements was initiated using an incremental rate that is separate from the formula rate mechanism described above. See Note 17.

On March 12, 2021, PNM filed four unexecuted TSAs with FERC totaling 145 MW with Leeward. The unexecuted TSAs provide long-term firm, point-to-point transmission service on PNM’s transmission system. The unexecuted TSAs are based on the pro-forma transmission service agreements with certain non-conforming provisions under Attachment A of PNM’s OATT and include PNM’s OATT rate. PNM filed the unexecuted TSAs at the request of Leeward because the parties were unable to reach an agreement on the terms and conditions for transmission service. On May 11, 2021, FERC issued an order accepting PNM's four unexecuted TSAs based on PNM's proposed pricing scheme included in its OATT rate. On June 10, 2021, Pattern Wind and Leeward both filed a request for rehearing of the FERC Order. On September 10, 2021, Leeward filed a petition in the United States District Court for the District of Columbia for review of FERC's order accepting PNM's four unexecuted TSAs. On November 15, 2021, FERC issued an order denying the rehearing. On December 3, 2021, Leeward filed an Unopposed Motion for Voluntary Dismissal with the United States District Court for the District of Columbia of its petition for review. PNM is unable to predict the outcome of this matter. See Note 17.

Delivering At or Above Industry-Average Earnings and Dividend Growth

PNMR’s financial objective to deliver at or above industry-average earnings and dividend growth enables investors to realize the value of their investment in the Company's business. Earnings growth is based on ongoing earnings, which is a non-GAAP financial measure that excludes from GAAP earnings certain non-recurring, infrequent, and other items that are not indicative of fundamental changes in the earnings capacity of the Company's operations. PNMR uses ongoing earnings to evaluate the operations of the Company and to establish goals, including those used for certain aspects of incentive compensation, for management and employees.

PNMR targets a dividend payout ratio in the 50% to 60% range of its ongoing earnings. PNMR expects to provide at or above industry-average dividend growth in the near-term. The Board will continue to evaluate the dividend on an annual basis, considering sustainability and growth, capital planning, and industry standards.

Under the terms of the Merger Agreement, PNMR has agreed not to declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its equity securities, or make any other actual, constructive or deemed distribution in respect of any equity securities (except (i) PNMR may continue the declaration and payment of planned regular quarterly cash dividends on PNMR common stock for each quarterly period ended after the date of the Merger Agreement, which for any fiscal quarter in 2022 shall not exceed $0.3475, with usual record and payment dates in accordance with past dividend practice, and (ii) for any cash dividend or cash distribution by a wholly-owned subsidiary of PNMR to PNMR or another wholly-owned subsidiary of PNMR).

The Board approved the following increases in the indicated annual common stock dividend:

Approval Date	Percent Increase
December 2020	6.5 %
February 2022	6.1 %

Maintaining Investment Grade Credit Ratings

The Company is committed to maintaining investment grade credit ratings in order to reduce the cost of debt financing and to help ensure access to credit markets, when required. On February 10, 2022, Moody's downgraded TNMP's issuer rating from A3 to Baa1 and changed the outlook from negative to stable. See the subheading Liquidity included in the full discussion of Liquidity and Capital Resources below for the specific credit ratings for PNMR, PNM, and TNMP. All of the credit ratings issued by both Moody's and S&P on the Company's debt continue to be investment grade.

Business Focus

To achieve its business objectives, focus is directed in key areas: Safe, Reliable and Affordable Power; Utility Plant and Strategic Investments; Environmentally Responsible Power; and Customer, Stakeholders, and Community Engagement. The Company works closely with its stakeholders to ensure that resource plans and infrastructure investments benefit from robust public dialogue and balance the diverse needs of our communities. Equally important is the focus of PNMR's utilities on customer satisfaction and community engagement.

Safe, Reliable, and Affordable Power

Safety is the first priority of our business and a core value of the Company. PNMR utilizes a Safety Management System to provide clear direction, objectives and targets for managing safety performance and minimizing risks and empowers employees to "Be the Reason Everyone Goes Home Safe".

PNMR measures reliability and benchmark performance of PNM and TNMP against other utilities using industry-standard metrics, including System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI"). PNM's and TNMP's investment plans include projects designed to support reliability and reduce the amount of time customers are without power.

PNMR and its utilities are aware of the important roles they play in enhancing economic vitality in their service territories. Management believes that maintaining strong and modern electric infrastructure is critical to ensuring reliability and supporting economic growth. When contemplating expanding or relocating their operations, businesses consider energy affordability and reliability to be important factors. PNM and TNMP strive to balance service affordability with infrastructure investment to maintain a high level of electric reliability and to deliver a safe and superior customer experience. Investing in PNM's and TNMP's infrastructure is critical to ensuring reliability and meeting future energy needs. Both utilities have long-established records of providing customers with safe and reliable electric service.

The Company continues to closely monitor developments and has taken and continues to take steps to mitigate the potential risks related to the COVID-19 pandemic. The Company has assessed and updated its existing business continuity plans in response to the impacts of the pandemic through crisis team meetings and working with other utilities and operators. It has identified its critical workforce, staged backups and limited access to control rooms and critical assets. The Company has worked to protect the safety of its employees using a number of measures, including minimizing exposure to other employees and the public and supporting flexible arrangements for all applicable job functions. The Company is also working with its suppliers to manage the impacts to its supply chain and remains focused on the integrity of its information systems and other technology systems used to run its business. However, the Company cannot predict the extent or duration of the ongoing COVID-19 pandemic, its effects on the global, national or local economy, or on the Company's financial position, results of operations, and cash flows. The Company will continue to monitor developments related to COVID-19 and will remain focused on protecting the health and safety of its customers, employees, contractors, and other stakeholders, and on its objective to provide safe, reliable, affordable and environmentally responsible power. As discussed in Note 17, both PNM and TNMP suspended disconnecting certain customers for past due bills, waived late fees during the pandemic, and have been provided regulatory mechanisms to recover these and other costs resulting from COVID-19. See additional discussion below regarding the Company's customer, community, and stakeholder engagement in response to COVID-19 and in Item 1A. Risk Factors.

Utility Plant and Strategic Investments

Utility Plant Investments – During the 2020 and 2021 periods, PNM and TNMP together invested $1.6 billion in utility plant, including substations, power plants, nuclear fuel, and transmission and distribution systems. New Mexico’s clean energy future depends on a reliable, resilient, secure grid to deliver an evolving mix of energy resources to customers. PNM has launched a capital initiative, which emphasizes new investments in its transmission and distribution infrastructure with three primary objectives: delivering clean energy, enhancing customer satisfaction and increasing grid resilience. Projects are aimed at advancing the infrastructure beyond its original architecture to a more flexible and redundant system accommodating growing amounts of intermittent and distributed generation resources and integrating evolving technologies that provide long-term customer value. See the subheading Capital Requirements included in the full discussion of Liquidity and Capital Resources below for additional discussion of the Company’s projected capital requirements.

Strategic Investments – In 2017, PNMR Development and AEP OnSite Partners created NMRD to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. Abundant renewable resources, large tracts of affordable land, and strong government and community support make New Mexico a favorable location for renewable generation. New Mexico ranks third in the Nation for energy potential from solar power according to the Nebraska Department of Energy & Energy Sun Index and ranks third in the Nation for land-based wind capacity according to the U.S. Office of Energy Efficiency and Renewable Energy. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. Through NMRD, PNMR anticipates being able to provide additional renewable generation solutions to customers within and surrounding its regulated jurisdictions through partnering with a subsidiary of one of the United States’ largest electric utilities. As of December 31, 2021, NMRD’s renewable energy capacity in operation was 135.1 MW, which includes 130 MW of solar-PV facilities to supply energy to the Meta data center located within PNM’s service territory, 1.9 MW to supply energy to Columbus Electric Cooperative located in southwest New Mexico, 2.0 MW to supply energy to the Central New Mexico Electric Cooperative, and 1.2 MW of solar-PV facilities to supply energy to the City of Rio Rancho, New Mexico. In addition, PNM’s February 8, 2021 application with the NMPRC for approval to service the Meta data center includes construction of a 50 MW solar facility owned by NMRD, which is expected to be operational in 2023. See Note 17. NMRD actively explores opportunities for additional renewable projects, including large-scale projects to serve future data centers and other customer needs.

Integrated Resource Plan

NMPRC rules require that investor-owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period.

NMPRC rules required PNM to file its 2020 IRP in July 2020. In April 2020, the NMPRC approved PNM ‘s request to extend the deadline to file its 2020 IRP until six months after the NMPRC issues a final order approving replacement resources in PNM’s SJGS Abandonment Application. On January 29, 2021, PNM filed its 2020 IRP. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. See additional discussion regarding PNM’s 2020 IRP filing in Note 17.

Environmentally Responsible Power

PNMR has a long-standing record of environmental stewardship. PNM’s environmental focus is in three key areas:

- Developing strategies to provide reliable and affordable power while transitioning to a 100% emissions-free generating portfolio by 2040
- Preparing PNM’s system to meet New Mexico’s increasing renewable energy requirements as cost-effectively as possible
- Increasing energy efficiency participation

PNMR’s corporate website (www.pnmresources.com) includes a dedicated section providing key environmental and other sustainability information related to PNM’s and TNMP’s operations and other information that collectively demonstrates the Company’s commitment to ESG principles. This information highlights plans for PNM to be coal-free by 2024 (subject to regulatory approval) and to achieve an emissions-free generating portfolio by 2040.

In February 2022 PNM named its first Chief Environmental Officer. The Chief Environmental Officer will be responsible for developing and implementing the Company’s business strategy and positions on environmental and sustainability policy issues and will be charged with establishing organization-wide policies, strategies, goals, objectives and programs that advance sustainability and ensure compliance with regulations. The role will serve as the Company’s primary contact with various regulatory and stakeholder agencies on environmental matters. In addition, the role will lead environmental justice work, incorporating impacts to tribal, worker and affected communities and advance ESG reporting.

On September 21, 2020, PNM announced an agreement to partner with Sandia National Laboratories in research and development projects focused on energy resiliency, clean energy, and national security. The partnership demonstrates PNMR's commitment to ESG principles and its support of projects that further its emissions-free generation goals and plans for a reliable, resilient, and secure grid to deliver New Mexico's clean energy future.

The Energy Transition Act (“ETA”)

On June 14, 2019, Senate Bill 489, known as the ETA, became effective. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 20% by 2020, 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA provides for a transition from fossil-fueled generating resources to renewable and other carbon-free resources by allowing utilities to issue securitized bonds, or “energy transition bonds,” related to the retirement of certain coal-fired generating facilities to qualified investors. PNM expects the ETA will have a significant impact on PNM’s future generation portfolio, including PNM’s planned retirement of SJGS in 2022 and the planned Four Corners exit in 2024. PNM cannot predict the full impact of the ETA on potential future generating resource abandonment and replacement filings with the NMPRC.

SJGS Abandonment Application – On July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the “SJGS Abandonment Application”). The SJGS Abandonment Application sought NMPRC approval to retire PNM’s share of SJGS in mid-2022, and for approval of replacement resources and the issuance of approximately $361 million of Securitized Bonds as provided by the ETA. The application included several replacement resource scenarios including PNM’s recommended replacement scenario, which is consistent with PNM’s goal of having a 100% emissions-free generating portfolio by 2040 and would have provided cost savings to customers while preserving system reliability.

The NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing and the other addressing replacement resources but did not definitively indicate if the abandonment and financing proceedings would be evaluated under the requirements of the ETA. After several requests for clarification and legal challenges, in January 2020, the NM Supreme Court ruled the NMPRC is required to apply the ETA to all aspects of PNM’s SJGS Abandonment Application, and that any previous NMPRC orders inconsistent with their ruling should be vacated.

In February 2020, the hearing examiners issued two recommended decisions recommending approval of PNM’s proposed abandonment of SJGS, subject to approval of the separate replacement resources proceeding, and approval of PNM’s proposed financing order to issue Securitized Bonds. The hearing examiners recommended, among other things, that PNM be authorized to abandon SJGS by June 30, 2022, to issue Securitized Bonds of up to $361 million, and to establish the Energy Transition Charge. The hearing examiners recommended an interim rate rider adjustment upon the start date of the Energy Transition Charge to provide immediate credits to customers for the full value of PNM’s revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the hearing examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, and economic development funds. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the Securitized Bonds. On April 10, 2020, CFRE and NEE filed a notice of appeal with the NM Supreme Court of the NMPRC’s approval of PNM’s request to issue securitized financing under the ETA. On January 10, 2022, the NM Supreme Court issued its decision rejecting CFRE’s and NEE’s constitutional challenges to the ETA and affirmed the NMPRC final order.

On June 24, 2020, the hearing examiners issued a second recommended decision on PNM's request for approval of replacement resources that addressed the entire portfolio of replacement resources. On July 29, 2020 the NMPRC issued an order approving resource selection criteria identified in the ETA that include PPA's for 650 MW of solar and 300 MW of battery storage. Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects, which coupled with the abandonment of SJGS Units 1 and 4 present a risk that PNM will have insufficient operational resources to meet the 2022 summer peak to reliably serve its customers. PNM entered into three agreements to purchase power from third parties in the second half of 2021 to minimize potential impacts to customers and on February 17, 2022, PNM provided a notice and request with the NMPRC that PNM had obtained agreement from the SJGS owners and WSJ LLC to extend operation of Unit 4 until September 30, 2022. SJGS Unit 4 will provide 327 MW of capacity and improve PNM’s projected system reserve margin to meet the 2022 summer peak. On February 23, 2022, the NMPRC issued an order finding that PNM did not require NMPRC approval to extend operation of SJGS Unit 4 for an additional three-month period. On February 25, 2022, the amended SJGS participation agreement was filed with FERC. See additional discussion of the ETA and PNM’s San Juan Abandonment Application in Notes 16 and 17.

Four Corners Abandonment Application - On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM’s 13% share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. As ordered by the hearing examiner in the case, PNM filed an amended application and testimony on March 15, 2021. The amended application provided additional information to support PNM's request, provided background on the NMPRC's consideration of the prudence of PNM's investment in Four Corners in the NM 2016 Rate Case and explained how the proposed sale and abandonment provides a net public benefit. On December 15, 2021, the NMPRC issued a final order denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. See additional discussion of the ETA and PNM’s Four Corners Abandonment Application in Notes 16 and 17.

PNM enhanced its plan to exit Four Corners and emphasized its ESG strategy to reduce carbon emissions on March 12, 2021 with an announcement for additional plans for seasonal operations at Four Corners beginning in the fall of 2023, subject to the necessary approvals. The solution for seasonal operations ensures the plant will be available to serve each owners' customer needs during times of peak energy use while minimizing operations during periods of low demand. This approach results in an estimated annual 20 to 25 percent reduction in carbon emissions at the plant and retains jobs and royalty payments for the Navajo Nation.

The Community Solar Act

On June 18, 2021, Senate Bill 84, known as the Community Solar Act, became effective. The Community Solar Act establishes a program that allows for the development of community solar facilities and provides customers of a qualifying utility with the option of accessing solar energy produced by a community solar facility in accordance with the Community Solar Act. The NMPRC is charged with administering the Community Solar Act program, establishing a total maximum capacity of 200 MW community solar facilities (applicable until November 2024) and allocating proportionally to the New Mexico electric investor-owned utilities and participating cooperatives. As required under the Community Solar Act, the NMPRC opened a docket on May 12, 2021 to adopt rules to establish a community solar program no later than April 1, 2022. See Note 17.

Electric Vehicles

PNMR is building upon its ESG goal of 100% emissions-free generation by 2040 with plans for additional emissions reductions through the electrification of its vehicle fleet. Growing the number of electric vehicles within the Company's fleet will benefit the environment and lower fuel costs furthering the commitment to ESG principles. Under the commitment, existing fleet vehicles will be replaced as they are retired with an increasing percentage of electric vehicles. The new goals call for 25% of all light duty fleet purchases to be electric by 2025 and 50% to be electric by 2030.

To demonstrate PNMR’s commitment to increase the electrification of vehicles in its service territory, PNM filed a TEP with the NMPRC on December 18, 2020. The TEP supports customer adoption of electric vehicles by focusing on addressing the barriers to electric vehicle adoption and encourage use. PNM’s proposed program budget will be dedicated to low and moderate income customers by providing rebates to both residential and non-residential customers towards the purchase of chargers and/or behind-the-meter infrastructure. On November 10, 2021, the NMPRC issued a final order approving PNM’s TEP program. See Note 17.

In December 2021, PNM announced that it will be joining the National Electric Highway Coalition, which plans to build fast-charging ports along major U.S. travel corridors. The coalition, with approximately 50 investor-owned electric companies is committed to providing electric vehicle (EV) fast charging ports that will allow the public to drive EVs with confidence throughout the country’s major roadways by the end of 2023.

Other Environmental Matters

Four Corners may be required to comply with environmental rules that affect coal-fired generating units, including regional haze rules and the ETA. On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines issued under the CAA Section 111(d). On January 19, 2021, the DC Circuit issued an opinion vacating and remanding the ACE Rule, holding that it was based on a misconstruction of Section 111(d) of the Clean Air Act, but stayed its mandate for vacatur of the repeal of the Clean Power Plan to ensure that the now-outdated rule would not become effective. The U.S. Supreme Court granted four petitions for certiorari seeking review of the DC Circuit's decision, and oral arguments in the case were held on February 28, 2022. A decision is expected in June 2022. In addition, on January 27, 2021, President Biden signed an executive order requiring a review of environmental regulations issued under the Trump Administration, which will include a review of the ACE rule.

Renewable Energy

PNM's renewable procurement strategy includes utility-owned solar capacity, as well as solar, wind, and geothermal energy purchased under PPAs. As of December 31, 2021, PNM has 158 MW of utility-owned solar capacity in operation. In addition, PNM purchases power from a customer-owned distributed solar generation program that had an installed capacity of 201.2 MW at December 31, 2021. PNM also owns the 500 KW PNM Prosperity Energy Storage Project. The project was one of the first combinations of battery storage and solar-PV energy in the nation and involved extensive research and development of advanced grid concepts. The facility also was the nation's first solar storage facility fully integrated into a utility's power grid. PNM also purchases the output from New Mexico Wind, a 200 MW wind facility, and the output of Red Mesa Wind, an existing 102 MW wind energy center. PNM's 2020 renewable energy procurement plan was approved by the NMPRC in January 2020 and includes a PPA to procure 140 MW of renewable energy and RECs from La Joya Wind II that became operational in June 2021. The NMPRC approved the portfolio to replace the planned retirement of SJGS resulting in PNM executing solar PPAs of 650 MW combined with 300 MW of battery storage agreements. In addition, the PVNGS Leased Interest Abandonment Application approved by the NMPRC includes solar PPAs of 450 MW combined with 290 MW of battery storage agreements. The majority of these renewable resources are key means for PNM to meet the RPS and related regulations that require PNM to achieve prescribed levels of energy sales from renewable sources, including those set by the recently enacted ETA, without exceeding cost requirements.

As discussed in Strategic Investments above, PNM is currently purchasing the output of 130 MW of solar capacity from NMRD that is used to serve the Meta data center which includes two 25-year PPAs to purchase renewable energy and RECs from an aggregate of approximately 100 MW of capacity from two solar-PV facilities constructed by NMRD to supply power to Meta, Inc. The first 50 MW of these facilities began commercial operations in November 2019 and the second 50 MW facility began commercial operations in July 2020. Additionally, PNM has entered into three separate 25-year PPAs to purchase renewable energy and RECs to be used by PNM to supply additional renewable power to the Meta data center. These PPAs include the purchase of power and RECs from a 50 MW wind project, which was placed in commercial operation in November 2018, a 166 MW wind project which became operational in February 2021, and a 50 MW solar-PV project to be operational in 2022. In addition, the NMPRC issued an order that will allow PNM to service the Meta data center for an additional 190 MW of solar PPA combined with 50 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. See Note 17.

In March 2020, the NMPRC approved the PNM Solar Direct program under which qualified governmental and large commercial customers could participate in a voluntary renewable energy procurement program. The costs of the program would be recovered directly from subscribing customers through a rate rider, including the costs to procure renewable energy from 50 MW of solar-PV facilities under a 15-year PPA. These facilities are expected to be placed in commercial operation in 2022.

PNM will continue to procure renewable resources while balancing the impact to customers' electricity costs in order to meet New Mexico's escalating RPS and carbon-free resource requirements.

Energy Efficiency

Energy efficiency plays a significant role in helping to keep customers' electricity costs low while meeting their energy needs and is one of the Company's approaches to supporting environmentally responsible power. PNM's and TNMP's energy efficiency and load management portfolios continue to achieve robust results. In 2021, incremental energy saved as a result of new participation in PNM's portfolio of energy efficiency programs is estimated to be approximately 95 GWh. This is equivalent to the annual consumption of approximately 11,245 homes in PNM's service territory. PNM's load management and annual energy efficiency programs also help lower peak demand requirements. As discussed above, in April 2020, PNM filed an application for energy efficiency and load management programs to be offered in 2021, 2022, and 2023. On September 17, 2020, the hearing examiner in the case issued a recommended decision recommending that PNM's proposed 2021 energy efficiency and load management program be approved, with the exception of the proposed AMI pilot program. On October 28, 2020, the NMPRC issued an order adopting the recommended decision in its entirety. In 2021, TNMP's incremental energy saved as a result of new participation in TNMP's energy efficiency programs is estimated to be approximately 19 GWh. This is equivalent to the annual consumption of approximately 2,469 homes in TNMP's service territory. TNMP's High-Performance Homes residential new construction energy efficiency program was honored for the sixth year in a row by ENERGY STAR. This recognition includes the program's fourth straight Partner of the Year Sustained Excellence Award. For information on PNM's and TNMP's energy efficiency filing with the NMPRC and PUCT see Note 17.

Water Conservation and Solid Waste Reduction

PNM continues its efforts to reduce the amount of fresh water used to make electricity (about 35% more efficient than in 2007). Continued growth in PNM's fleet of solar and wind energy sources, energy efficiency programs, and innovative uses of gray water and air-cooling technology have contributed to this reduction. Water usage has continued to decline as PNM has substituted less fresh-water-intensive generation resources to replace SJGS Units 2 and 3 starting in 2018, as water consumption at that plant has been reduced by approximately 50%. As the Company moves forward with its mission to achieve 100% carbon-free generation by 2040, it expects that more significant water savings will be gained. PNM has set a goal to reduce freshwater use 80% by 2035 and 90% by 2040 from 2005 levels. Focusing on responsible stewardship of New Mexico's scarce water resources improves PNM's water-resilience in the face of persistent drought and ever-increasing demands for water to spur the growth of New Mexico's economy.

In addition to the above areas of focus, the Company is working to reduce the amount of solid waste going to landfills through increased recycling and reduction of waste. In 2021, 18 of the Company's 23 facilities met the solid waste diversion goal of a 65% diversion rate. The Company expects to continue to do well in this area in the future.

Customer, Stakeholder, and Community Engagement

Another key element of the Company's commitment to ESG principles is fostering relationships with its customers, stakeholders, and communities. The Company strives to deliver a superior customer experience. Through outreach, collaboration, and various community-oriented programs, the Company has demonstrated a commitment to building productive relationships with stakeholders, including customers, community partners, regulators, intervenors, legislators, and shareholders. In December 2021, PNM Resources was named for the second consecutive year to Newsweek's list of America's Most Responsible Companies highlighting companies in areas of ESG. PNM continues to focus its efforts to enhance the customer experience through customer service improvements, including enhanced customer service engagement options, strategic customer outreach, and improved communications. These efforts are supported by market research to understand the varying needs of customers, identifying and establishing valued services and programs, and proactively communicating and engaging with customers. As a result, PNM continues to experience steady performance in customer satisfaction in both the J.D. Power Electric Utility Residential Customer Satisfaction Study^{SM} and its own proprietary relationship surveys. In the 2021 fourth quarter J.D. Power overall customer satisfaction results PNM outperformed the West Midsize industry average by one point.

The Company has leveraged a number of communications channels and strategic content to better serve and engage its many stakeholders. PNM's website www.pnm.com, provides the details of major regulatory filings, including general rate requests, as well as the background on PNM's efforts to maintain reliability, keep prices affordable, and protect the environment. The Company's website is also a resource for information about PNM's operations and community outreach efforts, including plans for building a sustainable energy future for New Mexico and to transition to an emissions-free generating portfolio by 2040. PNM has also leveraged social media in communications with customers on various topics such as education, outage alerts, safety, customer service, and PNM's community partnerships in philanthropic projects. As discussed above, PNMR's corporate website, www.pnmresources.com, includes a dedicated section providing additional information regarding the Company's commitment to ESG principles and other sustainability efforts.

With reliability being the primary role of a transmission and distribution service provider in Texas' deregulated market, TNMP continues to focus on keeping end-users updated about interruptions and to encourage consumer preparation when severe weather is forecasted. In the third quarter of 2021, TNMP provided a 30-person team in support of another utility that experienced significant damage to their transmission and distribution system as a result of Hurricane Ida. TNMP has been honored by the Edison Electric Institute four times since 2012 for its assistance to out-of-state utilities affected by hurricanes. TNMP has also been honored twice for hurricane response in its own territory.

Local relationships and one-on-one communications remain two of the most valuable ways both PNM and TNMP connect with their stakeholders. Both companies maintain long-standing relationships with governmental representatives and key electricity consumers to ensure that these stakeholders are updated on Company investments and initiatives. Key electricity consumers also have dedicated Company contacts that support their important service needs.

Another demonstration of the Company's commitment to ESG principles is the Company's tradition of supporting the communities it serves in New Mexico and Texas. This support extends beyond corporate giving and financial donations from the PNM Resources Foundation to also include collaborations on community projects, customer low-income assistance programs, and employee volunteerism. In response to COVID-19, additional efforts were made in each of these areas and exhibit the Company's core value of caring for its customers and communities.

During the three years ending December 31, 2021, corporate giving contributed $10.4 million to civic, educational, environmental, low income, and economic development organizations. PNMR recognizes its responsibility to support programs and organizations that enrich the quality of life across its service territories and seeks opportunities to further demonstrate its commitment in these areas as needs arise. In response to COVID-19 community needs, PNMR donated to an Emergency Action Fund in partnership with key local agencies to benefit approximately ninety nonprofits and small businesses facing challenges due to lack of technology, shifting service needs, and cancelled fundraising events. Additionally, employee teams have supported first responders and other front-line workers through the delivery of food and other supplies often procured from local businesses struggling during stay-at-home orders. PNM also donated to the Pueblo Relief Fund and delivered personal protective supplies to pueblo areas and tribal nations throughout New Mexico. While its service territory does not include the Navajo Nation, PNM's operations include generating facilities and employees in this region that has been disproportionately affected by the pandemic. In response, employee teams focused efforts to this region and also provided available supplies of personal protective equipment. PNM has also collaborated with the Navajo Tribal Utility Authority Wireless ("NTUAW") to set up wireless "hot spots" throughout the Navajo Nation in areas without internet access to assist first responders and support continued education opportunities amidst school closures. These actions supplement PNM's continued support for the Navajo Nation. The PNM Navajo Nation Workforce Training Scholarship Program provides support for Navajo tribal members and encourages the pursuit of education and training in existing and emerging jobs in the communities in which they live. In 2019, PNM invested an additional $500,000 into this scholarship program to further assist in the development and education of the Navajo Nation workforce. PNM has invested in paid summer college engineering internship programs for American Indian students available in the greater Albuquerque area and established the PNM Pueblo Education Scholarship Endowment to invest in higher education for Native American Pueblo Indian students. PNM also continues to partner in the Light up Navajo project, piloted in 2019 and modeled after mutual aid to connect homes without electricity to the power grid. In a more active role in 2021, PNM also partnered with key local organizations to initiate funding for programs focused on diversity, equity and inclusion.

Another important outreach program is tailored for low-income customers and includes the PNM Good Neighbor Fund to provide customer assistance with their electric utility bills. COVID-19 has increased the needs of these customers along with customers who may not otherwise need to seek assistance. In addition to the suspension of residential customer disconnection from April 2020 through August 2021 and the expansion of customer payment plans, PNM responded with increased communications through media outlets and customer outreach to connect customers with nonprofit community service providers offering financial assistance, food, clothing, medical programs, and services for seniors. As a result of these communication efforts, 4,147 families in need received emergency assistance through the PNM Good Neighbor Fund during 2021. Additionally, PNM has worked closely with the New Mexico Department of Finance and Administration to implement strategies ensuring customers receive rent benefits, including utility bill assistance, from the Emergency Rental Assistance Program ("ERAP"). As a result of these efforts, the ERAP has paid over $6 million in customer arrears since the launch of the program in March 2021.

Additionally, as a part of corporate giving, on October 1, 2020, PNM introduced $2.0 million in funding for new COVID Customer Relief Programs to support income-qualified residential customers and small business customers who have been impacted by the financial challenges created by COVID-19 and have past due electric bills. Qualified customers that pay a portion of their past-due balance can receive assistance toward their remaining balance.

Volunteerism is also an important facet of employee culture, keeping our communities safer, stronger, smarter and more vibrant. In 2021, new programs were launched to provide employees with COVID-safe projects through virtual, hybrid, and limited group gatherings. Employees and nonprofits remained resilient, creative, and innovative and responded to community need and selflessly gave their time and talents to organizations throughout New Mexico and Texas completing 8,741 volunteer hours with nonprofits and other community organizations. Volunteers also participate in a company-wide annual Day of Service at nonprofits across New Mexico and Texas along with participation on a variety of nonprofit boards and independent volunteer activities throughout the year. In addition, the Company facilitated employee and customer Earth Day cleanups across PNM's service territory resulting in over 2,200 gallons of trash collected.

In addition to the extensive engagement both PNM and TNMP have with nonprofit organizations in their communities, the PNM Resources Foundation provides nearly $1.6 million in grant funding each year across New Mexico and Texas. These grants help nonprofits innovate or sustain programs to grow and develop business, develop and implement environmental programs, and provide educational opportunities. Beginning in 2020, the PNM Resources Foundation is funding grants with a three-year focus on decreasing homelessness, increasing access to affordable housing, reducing carbon emissions, and increasing community safety with an emphasis on COVID-19 programs. As part of this emphasis, $0.5 million is awarded annually to nonprofits in New Mexico and Texas to assist with work being done on the front lines of the pandemic for community safety, with a focus on helping senior citizens and people currently experiencing homelessness during the shelter-in-place directives. The PNM Resources Foundation continued to expand its matching donation program to offer 2-to-1 matching on employee donations made to social justice nonprofits and increased the annual amount of matching donations available to each of its employees. PNM Resources Foundation awarded $0.3 million of additional grants to non-profits supporting TNMP communities following the winter storm in February 2021.

Economic Factors

PNM – In 2021, PNM experienced a decrease in weather normalized residential load of 0.9%, more than offset by an increase in weather normalized commercial load of 4.4% compared to 2020, signaling a return to pre-COVID-19 levels. PNM did not experience significant impacts to its other customer classes.

TNMP – In 2021, TNMP experienced a decrease in volumetric weather normalized retail load of 0.8% compared to 2020. Weather normalized demand-based load, excluding retail transmission consumers, increased 1.8% in 2021 compared to 2020. The shift back to lower volumetric weather normalized retail load and higher weather normalized demand-based commercial and industrial load reflects a return to pre-COVID-19 trends.

Although the Company has experienced signs of recovery from state restrictions related to COVID-19, it is unable to determine the duration or final impacts from COVID-19 as discussed in more detail in Item 1A Risk Factors. The Company has not experienced, nor does it expect significant negative impacts to customer usage at PNM and TNMP resulting from the economic impacts of COVID-19. However, if current economic conditions worsen, the Company may be required to implement additional measures such as reducing or delaying operating and maintenance expenses and planned capital expenditures.

Results of Operations

Net earnings attributable to PNMR were $195.8 million, or $2.27 per diluted share in the year ended December 31, 2021 compared to $172.8 million, or $2.15 per diluted share in 2020. Among other things, earnings in 2021 benefited from higher weather normalized retail load at PNM, higher demand-based load at TNMP, higher transmission rates at PNM and TNMP, higher distribution rates at TNMP, lower surface mine reclamation expense and lower accretion expense at PNM, lower interest expense at PNM and Corporate and Other, higher equity AFUDC at PNM, and lower costs related to the Merger at Corporate and Other. These increases were partially offset by milder weather conditions at PNM and TNMP, lower volumetric load at TNMP, increased operational and maintenance expense, including higher plant maintenance and administrative costs at PNM, higher employee related, outside service and vegetation management expense at PNM and TNMP, increased depreciation and property taxes at PNM and TNMP due to increased plant in service, higher interest charges at TNMP, and decreased performance on PNM's NDT and coal mine reclamation investment securities. Diluted earnings per share increased in 2021 due to higher net earnings, partially offset by the dilutive impact of additional shares issued under the PNMR 2020 Forward Equity Sale Agreements on December 15, 2020. Additional information on factors impacting results of operations for each segment is discussed below under Results of Operations.

Liquidity and Capital Resources

PNMR and PNM have revolving credit facilities with capacities of $300.0 million and $400.0 million that currently expire in October 2023. Both facilities provide for short-term borrowings and letters of credit and can be extended through October 2024, subject to approval by a majority of the lenders. In addition, PNM has a $40.0 million revolving credit facility with banks having a significant presence in New Mexico that expires in December 2022, and TNMP has a $75.0 million revolving credit facility, which expires in September 2022 and contains two one-year extension options, subject to approval by a majority of the lenders. Total availability for PNMR on a consolidated basis was $799.8 million at February 18, 2022. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. PNMR also has intercompany loan agreements with each of its subsidiaries.

PNMR projects that its consolidated capital requirements, consisting of construction expenditures and dividends, will total $4.8 billion for 2022-2026. These construction expenditures include expenditures for PNM’s capital initiative that includes investments in transmission and distribution infrastructure to deliver clean energy, enhance customer satisfaction, and increase grid resilience.

To fund capital spending requirements to meet growth that balances earnings goals, credit metrics and liquidity needs, the Company has entered into a number of other financing arrangements in 2021. For further discussion on these financing arrangements see Liquidity and Capital Resources discussion below as well as Note 7.

After considering the effects of these financings and the Company’s short-term liquidity position as of February 18, 2022, the Company has consolidated maturities of long-term and short-term debt aggregating $194.7 million in the period from January 1, 2022 through February 28, 2023. In addition to internal cash generation, the Company anticipates that it will be necessary to obtain additional long-term financing in the form of debt refinancing, new debt issuances, and/or new equity in order to fund its capital requirements during the 2022-2026 period. The Company currently believes that its internal cash generation, existing credit arrangements, and access to public and private capital markets will provide sufficient resources to meet the Company’s capital requirements for at least the next twelve months. As of December 31, 2021 and February 18, 2022, the Company was in compliance with its debt covenants.

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known. Also, refer to Disclosure Regarding Forward Looking Statements in Part I, Item 1 and to Risk Factors in Part I, Item 1A.

A summary of net earnings attributable to PNMR is as follows:

	Year Ended December 31, 2021	2020	Change 2021/2020
	(In millions, except per share amounts)		
Net earnings attributable to PNMR	$ 195.8	$ 172.8	$ 23.0
Average diluted common and common equivalent shares	86.1	80.3	5.8
Net earnings attributable to PNMR per diluted share	$ 2.27	$ 2.15	$ 0.12

The components of the changes in net earnings attributable to PNMR by segment are:

	Change 2021/2020
	(In millions)
PNM	$ 10.0
TNMP	5.3
Corporate and Other	7.7
Net change	$ 23.0

Information regarding the factors impacting PNMR's operating results by segment are set forth below.

Segment Information

The following discussion is based on the segment methodology that PNMR's management uses for making operating decisions and assessing performance of its various business activities. See Note 2 for more information on PNMR's operating segments.

PNM

PNM defines utility margin as electric operating revenues less cost of energy, which consists primarily of fuel and purchase power costs. PNM believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all fuel and purchase power costs are offset in revenues as those costs are passed through to customers under PNM's FPPAC. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

The following table summarizes the operating results for PNM:

	Year Ended December 31, 2021	2020	Change 2021/2020
	(In millions)		
Electric operating revenues	$ 1,362.0	$ 1,139.8	$ 222.2
Cost of energy	531.8	345.2	186.6
Utility margin	830.2	794.7	35.5
Operating expenses	438.4	414.4	24.0
Depreciation and amortization	170.4	165.3	5.1
Operating income	221.5	214.9	6.6
Other income (deductions)	28.4	31.6	(3.2)
Interest charges	(51.4)	(64.6)	13.2
Segment earnings before income taxes	198.6	181.9	16.7
Income (taxes)	(27.0)	(21.9)	(5.1)
Valencia non-controlling interest	(15.5)	(14.0)	(1.5)
Preferred stock dividend requirements	(0.5)	(0.5)	—
Segment earnings	$ 155.5	$ 145.5	$ 10.0

The following table shows GWh sales, including the impacts of weather, by customer class and average number of customers:

	Year Ended December 31, 2021	2020	Percent Change 2021/2020
	(Gigawatt hours, except customers)		
Residential	3,339.5	3,438.4	(2.9) %
Commercial	3,500.4	3,404.6	2.8
Industrial	1,592.3	1,412.6	12.7
Public authority	226.1	245.4	(7.9)
Economy service [(1)]	504.7	444.9	13.4
Other sales for resale [(2)]	5,447.9	2,556.2	113.1
	14,610.9	11,502.1	27.0 %
Average retail customer (thousands)	540.0	535.2	0.9 %

(1) PNM purchases energy for a large customer on the customer's behalf and delivers the energy to the customer's location through PNM's transmission system. PNM charges the customer for the cost of the energy as a direct pass through to the customer with only a minor impact in utility margin resulting from providing ancillary services.
(2) Increase in other sales for resale is the result of participation in the EIM beginning in April 2021. See Note 4 and Note 17.

Operating results – 2021 compared to 2020

The following table summarizes the significant changes to utility margin:

	Year Ended December 31, 2021 Change
Utility margin:	(In millions)
Retail customer usage/load – Weather normalized retail KWh sales increased 4.4%, for commercial customers, partially offset by decreased sales to residential customers of 0.9%	$ 6.1
Weather – Slightly milder than normal weather in 2021 compared to significantly warmer weather in 2020; cooling degree days were 11.0% lower and heating degree days were 9.7% lower in 2021	(10.3)
Leap Year – Decrease in revenue due to additional day in 2020	(1.8)
Transmission – Increase primarily due to higher revenue under formula transmission rates, the addition of new customers, and higher volumes	26.8
Rate riders – Includes renewable energy, fuel clause, and energy efficiency riders which are partially offset in operating expense	8.6
Coal mine reclamation – Lower expense on surface mine reclamation in 2021 and the 2020 remeasurement of PNM's obligation for Four Corners and SJGS coal mine reclamation (Note 16)	5.5
Other	0.6
Net Change	$ 35.5

The following tables summarize the primary drivers for operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

		Year Ended December 31, 2021 Change
Operating expenses:		(In millions)
Higher plant maintenance and administrative costs at SJGS, Four Corners and gas-fired plants, partially offset by lower costs at PVNGS	$	4.8
Higher property taxes due to increases in utility plant in service, partially offset by favorable settlement of property values		0.7
Higher employee related, outside services, and vegetation management expenses		12.5
Higher energy efficiency and renewable rider expenses offset in utility margin		4.8
2021 non-retail credit loss		1.0
2021 regulatory disallowance and restructuring costs, primarily resulting from the PVNGS Leased Interest Abandonment Application		1.2
2020 remeasurement of coal mine reclamation costs associated with ownership restructuring of SJGS and Four Corners (Note 16)		(1.1)
Other		0.1
Net Change	$	24.0

Depreciation and amortization:

Increased utility plant in service	$	6.8
Lower accretion expense for PVNGS plant decommissioning AROs resulting from 2020 study		(2.0)
Other		0.3
Net Change	$	5.1

Other income (deductions):

Decreased performance on investment securities in the NDT and coal mine reclamation trusts	$	(4.8)
Higher equity AFUDC		2.9
Higher trust expenses partially offset by higher interest income related to investment securities in the NDT and coal mine reclamation trusts		(1.0)
2020 donation to the COVID Customer Relief Program		2.0
2021 donations including establishment of the PNM Pueblo Education Scholarship Endowment		(3.0)
Other		0.7
Net Change	$	(3.2)

Interest charges:

Issuance of $200.0 million of SUNs in April 2020	$	(2.3)
Refinancing of $160.0 million of SUNs in July 2021		1.8
Issuance of $150.0 million of SUNs in December 2021		(0.3)
Lower interest on term loans		4.6
Lower interest on remarketed PCRBs		8.2
Higher debt AFUDC including amounts resulting from 2020 FERC audit		0.4
Other		0.8
Net Change	$	13.2

Income (taxes) benefits:

Higher segment earnings before income taxes	$	(3.9)
Lower non-deductible compensation		1.2
Lower amortization of state excess deferred income taxes (Note 18)		(6.2)
Lower amortization of state net operating loss regulatory asset		1.4
Other		2.4
Net Change	$	(5.1)

TNMP

TNMP defines utility margin as electric operating revenues less cost of energy, which consists of costs charged by third-party transmission providers. TNMP believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since all third-party transmission costs are passed on to customers through a transmission cost recovery factor. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

The following table summarizes the operating results for TNMP:

	Year Ended December 31,		Change
	2021	2020	2021/2020
	(In millions)		
Electric operating revenues	$ 417.9	$ 383.2	$ 34.7
Cost of energy	113.1	102.1	11.0
Utility margin	304.8	281.1	23.7
Operating expenses	114.2	104.9	9.3
Depreciation and amortization	90.4	87.8	2.6
Operating income	100.1	88.5	11.6
Other income (deductions)	5.4	6.8	(1.4)
Interest charges	(33.7)	(30.4)	(3.3)
Segment earnings before income taxes	71.8	64.9	6.9
Income (taxes)	(7.9)	(6.3)	(1.6)
Segment earnings	$ 63.9	$ 58.6	$ 5.3

The following table shows total GWh sales, including the impacts of weather, by retail tariff consumer class and average number of consumers:

	Year Ended December 31,		Percentage Change
	2021	2020	2021/2020
Volumetric load [(1)] (GWh)			
Residential	3,018.3	3,069.6	(1.7) %
Commercial and other	39.9	31.5	26.7 %
Total volumetric load	3,058.2	3,101.1	(1.4) %
Demand-based load [(2)] (MW)	21,176.9	20,061.5	5.6 %
Average retail consumers (thousands) [(3)]	263.5	258.8	1.8 %

(1) Volumetric load consumers are billed on KWh usage.
(2) Demand-based load includes consumers billed on a monthly KW peak and retail transmission customers that are primarily billed under rate riders.
(3) TNMP provides transmission and distribution services to REPs that provide electric service to customers in TNMP's service territories. The number of consumers above represents the customers of these REPs. Under TECA, consumers in Texas have the ability to choose any REP to provide energy.

Table of Contents

Operating results – 2021 compared to 2020

The following table summarizes the significant changes to utility margin:

	Year Ended December 31, 2021 Change
Utility margin:	(In millions)
Transmission rate relief/load – Transmission cost of service rate increases in March 2020, October 2020, March 2021, and September 2021, partially offset by lower wholesale transmission demand-based sales	$ 15.7
Distribution rate relief – Distribution cost of service rate established in September 2020 and increased in September 2021	13.9
Volumetric-based customer usage/load – Weather normalized KWh sales decreased 0.8% in addition to the leap-year impact; the average number of retail consumers increased 2.8%	(0.4)
Demand based customer usage/load – Weather normalized demand-based MW sales for large commercial and industrial customers excluding retail transmission customers increased 1.8%	1.1
Weather – Milder weather in 2021; cooling degree days were 2.6% lower in 2021	(0.2)
Rate riders and other – Impacts of rate riders, including the CTC surcharge which ended in August 2020, energy efficiency rider, rate case expense rider and transmission cost recovery factor, which are offset in operating expense and depreciation and amortization	(6.4)
Net Change	$ 23.7

The following tables summarize the primary drivers for operating expenses, depreciation and amortization, other income (deductions), interest charges, and income taxes:

	Year Ended December 31, 2021 Change
Operating expenses:	(In millions)
Higher employee related, outside service expenses and vegetation management expenses	$ 5.3
Higher property tax due to increased utility plant in service	3.2
Higher capitalization of administrative and general and other expenses due to higher construction expenditures	(1.2)
Higher amortization of rate case expenses offset in utility margin	0.2
Other	1.8
Net Change	$ 9.3
Depreciation and amortization:	
Increased utility plant in service	$ 9.6
Decreased amortization of CTC offset in utility margin	(7.0)
Net Change	$ 2.6
Other income (deductions):	
Lower equity AFUDC	$ (1.0)
Lower CIAC	(0.4)
Net Change	$ (1.4)
Interest charges:	
Issuance of $185.0 million of first mortgage bonds in 2020	$ (2.4)
Issuance of $65.0 million first mortgage bonds in 2021	(0.6)
Other	(0.3)
Net Change	$ (3.3)

Income (taxes) benefits:	Year Ended December 31, 2021 Change
	(In millions)
Higher segment earnings before income taxes	$ (1.4)
Other	(0.2)
Net Change	$ (1.6)

Corporate and Other

The table below summarizes the operating results for Corporate and Other:

	Year Ended December 31,		Change
	2021	2020	2021/2020
	(In millions)		
Total revenues	$ —	$ —	$ —
Cost of energy	—	—	—
Utility margin	—	—	—
Operating expenses	(9.8)	(4.4)	(5.4)
Depreciation and amortization	23.3	22.5	0.8
Operating income (loss)	(13.5)	(18.1)	4.6
Other income (deductions)	(0.7)	(1.4)	0.7
Interest charges	(11.8)	(19.4)	7.6
Segment earnings (loss) before income taxes	(25.9)	(38.8)	12.9
Income (taxes) benefit	2.3	7.5	(5.2)
Segment earnings (loss)	$ (23.6)	$ (31.3)	$ 7.7

Corporate and Other operating expenses shown above are net of amounts allocated to PNM and TNMP under shared services agreements. The amounts allocated include certain expenses shown as depreciation and amortization and other income (deductions) in the table above. The change in operating expenses includes a decrease of $4.7 million in costs related to the Merger that were not allocated to PNM or TNMP. Substantially all depreciation and amortization expense is offset in operating expenses as a result of allocation of these costs to other business segments.

Operating results – 2021 compared to 2020

The following tables summarize the primary drivers for other income (deductions), interest charges, and income taxes:

Other income (deductions):	Year Ended December 31, 2021 Change
	(In millions)
Decrease in donations and other contributions	$ 0.4
Other	0.3
Net Change	$ 0.7

Interest charges:	
Higher interest on term loans	$ (3.0)
Repayment of PNMR 2018 SUNs in March 2021	8.5
Lower interest on short term borrowings	2.1
Net Change	$ 7.6

	Year Ended December 31, 2021 Change
Income (taxes) benefits:	(In millions)
Lower segment loss before income taxes	$ (3.3)
Higher state income tax effective rate	(1.6)
Tax credit impairment	(1.0)
Higher investment tax credit amortization	0.4
Lower non-deductible merger related costs	0.3
Net Change	$ (5.2)

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows

The information concerning PNMR's cash flows is summarized as follows:

	Year Ended December 31,		Change
	2021	2020	2021/2020
Net cash flows from:	(In millions)		
Operating activities	$ 547.9	$ 485.7	$ 62.2
Investing activities	(952.3)	(733.8)	(218.5)
Financing activities	357.6	292.2	65.4
Net change in cash and cash equivalents	$ (46.8)	$ 44.1	$ (90.9)

Cash Flows from Operating Activities

Changes in PNMR's cash flow from operating activities result from net earnings, adjusted for items impacting earnings that do not provide or use cash. See Results of Operations above. Certain changes in assets and liabilities resulting from normal operations, including the effects of the seasonal nature of the Company's operations, also impact operating cash flows.

Cash Flows from Investing Activities

The changes in PNMR's cash flows from investing activities relate primarily to changes in utility plant additions. Cash flows from investing activities also include activity related to the purchase of the Western Spirit Line, Four Corners Purchase and Sale Agreement, and NMRD. Major components of PNMR's cash inflows and (outflows) from investing activities are shown below:

	Year Ended December 31,		Change
	2021	2020	2021/2020
Cash (Outflows) for Utility Plant Additions	(In millions)		
PNM:			
Generation	$ (53.3)	$ (35.0)	$ (18.3)
Transmission and distribution	(527.4)	(276.1)	(251.3)
Nuclear fuel	(21.5)	(24.0)	2.5
	(602.2)	(335.1)	(267.1)
TNMP:			
Transmission	(128.2)	(122.9)	(5.3)
Distribution	(183.7)	(198.6)	14.9
	(311.9)	(321.5)	9.6
Corporate and Other:			
Computer hardware and software	(20.9)	(22.4)	1.5
	(935.0)	(679.0)	(256.0)
Other Cash Flows from Investing Activities			
Proceeds from sales of investment securities	459.9	591.0	(131.1)
Purchases of investment securities	(477.7)	(607.6)	129.9
Investments in NMRD	—	(23.3)	23.3
Distributions from NMRD	0.6	—	0.6
Other, net	(0.1)	(14.9)	14.8
	(17.3)	(54.8)	37.5
Net cash flows from investing activities	$ (952.3)	$ (733.8)	$ (218.5)

Cash Flow from Financing Activities

The changes in PNMR's cash flows from financing activities include:

- Short-term borrowings increased $30.7 million in 2021 compared to a decrease of $153.1 million in 2020, resulting in a net increase in cash flows from financing activities of $183.8 million in 2021
- In 2021, PNMR had net amounts received under transmission interconnection arrangements of $70.4 million compared to $5.5 million in 2020
- In 2020, PNM borrowed $250.0 million under the PNM 2020 Term Loan and used the proceeds to repay the PNM 2019 $250.0 million Term Loan
- In 2020, PNM issued $200.0 million of PNM 2020 SUNs and used $100.0 million of proceeds to pay $100.0 million of the PNM 2020 Term Loan. The remaining $100.0 million of proceeds from the PNM 2020 SUNs were used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes.
- In 2020, PNM prepaid without penalty the remaining $150.0 million balance of the PNM 2020 Term Loan
- In 2020, PNM purchased PCRBs totaling $100.3 million that were subject to mandatory tender on June 1, 2020, utilizing borrowings under the PNM Revolving Credit Facility. On July 1, 2020, these bonds were remarketed to investors in the weekly mode. On October 1, 2021, PNM converted these bonds to a fixed rate and remarketed them to new investors.
- In 2020, PNM notified bondholders that it was calling PCRBs aggregating $302.5 million, purchased the bonds in lieu of redemption, and remarketed them to new investors
- In 2020, TNMP issued $185.0 million of TNMP 2020 Bonds and used the proceeds to reduce short-term debt and for other corporate purposes
- In 2020, PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of $45.805 per share, aggregating net proceeds of $283.1 million
- In 2020, PNMR borrowed $150.0 million under the PNMR 2020 Term Loan and used the proceeds to repay the $50.0 million PNMR 2018 Two-Year Term Loan and for other corporate purposes
- In 2020, PNMR executed a $300.0 million delayed-draw term loan (the "PNMR 2020 Delayed-Draw Term Loan") and drew $80.0 million under its terms
- In 2020, the PNMR Development Term Loan was amended to reduce the balance by $25.0 million
- In 2021, PNMR borrowed the remaining $220.0 million under the PNMR 2020 Delayed-Draw Term Loan and repaid $300.0 million SUNs
- In 2021, PNMR borrowed $900.0 million under the PNMR 2021 Delayed-Draw Term Loan and repaid the $150.0 million PNMR 2019 Term Loan, the $300.0 million PNMR 2020 Delayed-Draw Term Loan, the $150.0 million PNMR 2020 Term Loan, $92.1 million in borrowings under the PNMR Revolving Credit Facility, $40.0 million in borrowings under the PNMR Development Revolving Credit Facility, and the $65.0 million PNMR Development Term Loan
- In 2021, PNM entered into a $75.0 million term loan and used the funds to repay the PNM 2019 $40.0 million Term Loan and for other corporate purposes
- In 2021, PNM issued $160.0 million of PNM 2021 SUNs and used the proceeds to repay $160.0 million of PNM's 5.35% SUNs that were due October 2021
- In 2021, PNM remarketed $146.0 million of outstanding PCRBs to new investors
- In 2021, PNM issued $150.0 million aggregate principal amount of PNM September 2021 SUNs and used the proceeds to partially fund the purchase of the Western Spirit Line
- In 2021, TNMP issued $65.0 million aggregate principal amount of TNMP 2021 Bonds and used the proceeds to repay existing debt and for other corporate purposes

Financing Activities

See Note 7 for additional information concerning the Company's financing activities. PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual informational financing filing and short-term financing plan with the NMPRC. The Company's ability to access the credit and capital markets at a reasonable cost is largely dependent upon its:

- Ability to earn a fair return on equity
- Results of operations
- Ability to obtain required regulatory approvals
- Conditions in the financial markets
- Credit ratings

The Company is closely monitoring developments and is taking steps to mitigate the potential risks related to COVID-19. The Company currently believes it has adequate liquidity but cannot predict the extent or duration of the outbreak, its effects on the global, national or local economy, including the Company's ability to access capital in the financial markets, or on the Company's financial position, results of operations, and cash flows.

Each of the Company's revolving credit facilities and term loans contain a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR agreements, this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements, this ratio must be maintained at less than or equal to 65%. The Company's revolving credit facilities, term loans, and other debt agreements generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions. The Company is in compliance with its debt covenants.

In August 2020, PNMR entered into the WFB LOC Facility aggregating $30.3 million that was issued to facilitate the posting of reclamation bonds currently held by WSJ LLC (who assumed all the obligations of SJCC post-bankruptcy). The reclamation bonds were required to be posted in connection with permits relating to the operation of the San Juan mine. See Note 16.

As discussed in Note 7, at December 31, 2020, PNMR Development had $10.0 million outstanding under the PNMR Development Revolving Credit Facility that was expected to mature on February 23, 2021. On February 22, 2021, PNMR Development extended the facility to January 31, 2022 but ultimately decided to terminate it on May 18, 2021 as discussed below.

On December 31, 2020, PNMR had $300.0 million aggregate principal amount of 3.25% SUNs outstanding (the "PNMR 2018 SUNs"), which were set to mature on March 9, 2021. On December 22, 2020, PNMR entered into the $300.0 million PNMR 2020 Delayed-Draw Term Loan that was set to mature in January 2022 and drew $80.0 million to refinance existing indebtedness and for other corporate purposes. On March 9, 2021, PNMR utilized the remaining $220.0 million of capacity under the PNMR 2020 Delayed-Draw Term Loan to repay an equivalent amount of the PNMR 2018 SUNs. The remaining $80.0 million repayment of the PNMR 2018 SUNs was funded through borrowings under the PNMR Revolving Credit Facility.

On May 18, 2021, PNMR entered into a $1.0 billion delayed-draw term loan agreement (the "PNMR 2021 Delayed-Draw Term Loan"), among PNMR, the lenders party thereto, and Wells Fargo Bank, N. A., as administrative agent. Initially PNMR drew $850.0 million to repay and terminate existing indebtedness, including the $150.0 million PNMR 2019 Term Loan, the $300.0 million PNMR 2020 Delayed-Draw Term Loan, the $150.0 million PNMR 2020 Term Loan, the $65.0 million PNMR Development Term Loan, and $40.0 million in borrowings under the PNMR Development Revolving Credit Facility. Additionally, PNMR repaid the $92.1 million in borrowings under the PNMR Revolving Credit Facility. On December 2, 2021, PNMR drew an additional $50.0 million under the PNMR 2021 Delayed-Draw Term Loan. Draws on the PNMR 2021 Delayed-Draw Term Loan bear interest at a variable rate, which was 0.95% at December 31, 2021, and mature on May 18, 2023. On January 24, 2022, PNMR drew the remaining $100.0 million available under the PNMR 2021 Delayed-Draw Term Loan.

On June 18, 2021, PNM entered into a $75.0 million term loan (the "PNM 2021 Term Loan") between PNM and Bank of America, N.A., as lender. The PNM 2021 Term Loan was used to repay the PNM 2019 $40.0 million Term Loan and for other corporate purposes. The PNM 2021 Term Loan bears interest at a variable rate, which was 0.93% at December 31, 2021 and matures on December 18, 2022.

On July 14, 2021, PNM entered into an agreement (the "PNM 2021 Note Purchase Agreement") with institutional investors for the sale and issuance of $160.0 million aggregate principal amount of two series of senior unsecured notes (the "PNM 2021 SUNs") offered in private placement transactions. The PNM 2021 SUNs were issued on July 14, 2021. PNM issued $80.0 million of the PNM 2021 SUNs at 2.59%, due July 15, 2033, and another $80.0 million at 3.14%, due July 15, 2041. Proceeds from the PNM 2021 SUNs were used to repay the total amount of $160.0 million of PNM's 5.35% SUNs, at par, earlier than their scheduled maturity of October 1, 2021. The PNM 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

On July 14, 2021, TNMP entered into an agreement (the "TNMP 2021 Bond Purchase Agreement") with institutional investors for the sale of $65.0 million aggregate principal amount of one series of TNMP first mortgage bonds (the "TNMP 2021 Bonds") offered in private placement transactions. On August 16, 2021, TNMP issued all $65.0 million of the TNMP 2021 Bonds at 2.44% with a maturity of August 15, 2035 and used the proceeds to repay existing debt and for other corporate purposes. The TNMP 2021 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2021 Bonds. The terms of the supplemental indenture governing the TNMP 2021 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2021 Bonds at par. However, the definition of change of control in the supplemental indenture governing the TNMP 2021 Bonds will not be triggered by the closing of the Merger. TNMP has the right to redeem any or all of the TNMP 2021 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

On September 23, 2021, PNM entered into an agreement (the "PNM September 2021 Note Purchase Agreement") with institutional investors for the sale and issuance of $150.0 million aggregate principal amount of two series of senior unsecured notes (the "PNM September 2021 SUNs") offered in private placement transactions. On December 2, 2021, PNM issued $50.0 million of the PNM September 2021 SUNs at 2.29%, due December 30, 2031, and another $100.0 million at 2.97%, due December 30, 2041. Proceeds from the PNM September 2021 SUNs were used for funding of capital expenditures, including the purchase of the Western Spirit Line, repayment of existing indebtedness, and for general corporate purposes. The PNM September 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM September 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM September 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM September 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

At December 31, 2020, PNM had $100.3 million of outstanding PNM Floating Rate PCRBs. The PNM Floating Rate PCRBs bore interest at rates that were reset weekly, giving investors the option to return the PCRBs for remarketing to new investors upon 7 days' notice. On October 1, 2021, PNM converted the PNM Floating Rate PCRBs to a fixed rate period and successfully remarketed them to new investors ("PNM 2021 Fixed Rate PCRBs"). The PNM 2021 Fixed Rate PCRBs now bear interest at 0.875% and are subject to mandatory tender on October 1, 2026.

At December 31, 2020, PNM had $146.0 million of outstanding PCRBs with a final maturity of April 1, 2033. These PCRBs were subject to mandatory tender on October 1, 2021 and were successfully remarketed to new investors on that date. The $146.0 million PCRBs bear interest at a fixed rate of 2.15% until their final maturity.

On October 20, 2020, the execution of the Merger Agreement constituted a "Change of Control" under certain PNMR, TNMP, and PNMR Development debt agreements. Under each of the specified debt agreements, a "Change of Control" constitutes an "Event of Default," pursuant to which the lender parties thereto had the right to accelerate the indebtedness under the debt agreements.

On October 26, 2020, PNMR, TNMP and PNMR Development entered into amendment agreements with the lender parties thereto to amend the definition of "Change of Control" such that the entry into the Merger Agreement would not constitute a Change of Control and to waive the Event of Default arising from entry into the Merger Agreement. On September 15, 2021, PNMR and TNMP and the lender parties further amended the definition of "Change of Control" in the PNMR Revolving Credit Facility and the TNMP Revolving Credit Facility such that the closing of the Merger does not constitute a Change of Control under those facilities. The Change of Control provisions in the PNM debt agreements, PNM note purchase agreements, and TNMP 2021 Bond Purchase Agreement are not triggered by the closing of the Merger and did not require amendment.

The documents governing TNMP's aggregate $750.0 million of outstanding 2014 to 2020 First Mortgage Bonds ("TNMP FMBs") obligated TNMP to offer, within 30 business days following the signing of the Merger Agreement, to prepay that $750.0 million of outstanding TNMP FMBs at 100% of the principal amount, plus accrued and unpaid interest thereon, but without any make-whole amount or other premium. TNMP made such offer to prepay the TNMP FMBs in accordance with the terms of the TNMP FMBs, and none of the holders of the TNMP FMBs accepted TNMP's offer. The documents governing the 2014 to 2020 TNMP FMBs require TNMP to make another offer, within 30 business days of closing of the Merger, to prepay all outstanding TNMP FMBs at par. TNMP will make such offer to prepay the TNMP FMBs in accordance with the terms of the TNMP FMBs; however, holders of the TNMP FMBs are not required to tender their TNMP FMBs and may accept or reject such offer to prepay. As discussed above, the supplemental indenture that governs the TNMP 2021 Bonds excludes the Merger from the definition of Change of Control.

The TNMP FMBs are not registered under the Securities Act and may not be offered or sold in the United States absent registration or applicable exemption from registration requirements and applicable state laws. The information in this Annual Report on Form 10-K is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. Similar to the offer to prepay made after signing the Merger Agreement, the post-Merger closing offer to prepay the TNMP FMBs will be made only pursuant to an offer to prepay, which will set forth the terms and conditions of the offer to prepay.

In 2017, PNMR entered into three separate four-year hedging agreements that effectively established fixed interest rates of 1.926%, 1.823%, and 1.629%, plus customary spreads over LIBOR for three separate tranches, each of $50.0 million, of its variable rate debt. On March 23, 2021, the 1.926% fixed interest rate hedge agreement expired according to its terms and the remaining agreements expired on May 23, 2021.

Capital Requirements

PNMR's total capital requirements consist of construction expenditures, cash dividend requirements for PNMR common stock and PNM preferred stock. Key activities in PNMR's current construction program include:

- Investments in transmission and distribution infrastructure
- Upgrading generation resources and delivering clean energy
- Purchasing nuclear fuel

Projected capital requirements for 2022-2026 are:

	2022	2023-2026	Total
		(In millions)	
Construction expenditures	$ 895.6	$ 3,295.9	$ 4,191.5
Dividends on PNMR common stock	119.3	477.2	596.5
Dividends on PNM preferred stock	0.5	2.1	2.6
Total capital requirements	$ 1,015.4	$ 3,775.2	$ 4,790.6

The construction expenditure estimates are under continuing review and subject to ongoing adjustment, as well as to Board review and approval. The construction expenditures above include expenditures for PNM's capital initiative that includes investments in transmission and distribution infrastructure to deliver clean energy, enhance customer satisfaction, and increase grid resilience. Not included in the table above are incremental expenditures for new customer growth in New Mexico and Texas, and other transmission and renewable energy expansion in New Mexico. The ability of PNMR to pay dividends on its common stock is dependent upon the ability of PNM and TNMP to be able to pay dividends to PNMR. See Note 6 for a discussion of regulatory and contractual restrictions on the payment of dividends by PNM and TNMP.

During the year ended December 31, 2021, PNMR met its capital requirements and construction expenditures through cash generated from operations, as well as its liquidity arrangements and the borrowings discussed in Financing Activities above.

In addition to the capital requirements for construction expenditures and dividends, the Company has long-term debt and term loans that must be paid or refinanced at maturity. PNM has $104.5 million of PCRBs that must be refinanced or repriced in June 2022 and the PNM 2021 $75.0 million Term Loan which matures in December 2022. See Note 7 for additional information about the Company's long-term debt and equity arrangements. Funds received from the issuance of approximately 6.2 million shares of PNMR common stock in December 2020 under the PNMR 2020 Forward Equity Sale Agreements were used to repay existing indebtedness and for other corporate purposes. The Company may also enter into new arrangements similar to the existing agreements, borrow under the revolving credit facilities, or issue new long-term debt or equity in the public or private capital markets, or a combination of these sources. The Company has from time to time refinanced or repurchased portions of its outstanding debt before scheduled maturity. Depending on market conditions, the Company may refinance other debt issuances or make additional debt repurchases in the future.

Other Material Cash Requirements

In addition to the cash requirements for construction requirements and long-term debt discussed above, the Company has other material cash requirements related to long-term contractual obligations including minimum lease payments (Note 8), coal contracts, coal mine reclamation, nuclear decommissioning, SJGS plant decommissioning (Note 16), and pension and retiree medical contributions (Note 11).

Interest on long-term debt

Interest accrues on long-term debt agreements, at fixed rates, with the passage of time and is typically paid semi-annually in accordance with the terms of the debt agreement. Provided that long-term debt agreements are not prepaid or refinanced before their expected maturities, payments of interest are expected to total $85.0 million in 2022, $162.5 million in 2023 and 2024, $136.4 million in 2025 and 2026, and $545.6 million in 2027 and thereafter.

Transmission service arrangements

PNM owns transmission lines that are interconnected with other utilities in Arizona and Texas. PNM has executed long-term contracts with these other utilities to receive service for the transmission of energy owned by PNM utilizing the third-party transmission facilities. PNM generally receives transmission services, which are regulated by FERC, from a third-party through the other utilities' OATT or a specific contract. PNM has reserved firm capacity on a long-term basis and is committed under the terms of the contracts. These contracted obligations total $16.8 million in 2022, $17.5 million in 2023 and 2024, $2.8 million in 2025 and 2026, and $2.6 million in 2027 and thereafter.

Technology outsourcing

The Company has other technology services under long-term contracts. The obligations under these contracts total $7.0 million in 2022, $8.5 million in 2023 and 2024, and $0.3 million in 2025 and 2026.

Liquidity

PNMR’s liquidity arrangements include the $300.0 million PNMR Revolving Credit Facility, the $400.0 million PNM Revolving Credit Facility, and the $75.0 million TNMP Revolving Credit Facility. The PNMR and PNM facilities currently expire in October 2023 but can be extended through October 2024, subject to approval by a majority of the lenders. The TNMP Revolving Credit Facility matures in September 2022 and contains two one-year extension options, subject to approval by a majority of the lenders. PNM also has the $40.0 million PNM 2017 New Mexico Credit Facility that expires in December 2022. The Company believes the terms and conditions of these facilities are consistent with those of other investment grade revolving credit facilities in the utility industry. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. The Company expects that it will be able to extend or replace these credit facilities under similar terms and conditions prior to their expirations.

The revolving credit facilities and the PNM 2017 New Mexico Credit Facility provide short-term borrowing capacity. The revolving credit facilities also allow letters of credit to be issued. Letters of credit reduce the available capacity under the facilities. The Company utilizes these credit facilities and cash flows from operations to provide funds for both construction and operational expenditures. The Company’s business is seasonal with more revenues and cash flows from operations being generated in the summer months. In general, the Company relies on the credit facilities to be the initial funding source for construction expenditures. Accordingly, borrowings under the facilities may increase over time. Depending on market and other conditions, the Company will periodically sell long-term debt and use the proceeds to reduce the borrowings under the credit facilities. Information regarding the range of borrowings for each facility is as follows:

	Three Months Ended December 31, 2021		Year Ended December 31			
			2021		2020	
Range of Borrowings	Low	High	Low	High	Low	High
			(In millions)			
PNM:						
PNM Revolving Credit Facility	$ —	$ 40.0	$ —	$ 40.0	$ —	$ 147.9
PNM 2017 New Mexico Credit Facility	—	—	—	10.0	—	40.0
TNMP Revolving Credit Facility	—	1.1	—	70.0	—	74.9
PNMR Revolving Credit Facility	—	54.9	—	134.5	10.0	203.5
PNMR Development Revolving Credit Facility	—	—	—	40.0	—	17.0

At December 31, 2021, the average interest rates were 1.61% for the PNMR Revolving Credit Facility, 1.35% for the PNM Revolving Credit Facility, and 0.85% for the TNMP Revolving Credit Facility. There were no borrowings outstanding under the PNM 2017 New Mexico Credit Facility at December 31, 2021.

The Company currently believes that its capital requirements for at least the next twelve months can be met through internal cash generation, existing, extended, or new credit arrangements, and access to public and private capital markets. The Company anticipates that it will be necessary to obtain additional long-term financing to fund its capital requirements and to balance its capital structure during the 2022 - 2026 period, including interim financing to fund construction of replacement resources prior to the issuance of the Securitized Bonds included in PNM’s SJGS Abandonment Application. This could include new debt and/or equity issuances. To cover the difference in the amounts and timing of internal cash generation and cash requirements, the Company intends to use short-term borrowings under its current and future liquidity arrangements or other short-term loans. However, if market conditions worsen, the Company may not be able to access the capital markets or renew credit facilities when they expire. Should that occur, the Company would seek to improve cash flows by reducing capital expenditures and exploring other available alternatives.

Currently, all of the credit ratings issued by both Moody’s and S&P on the Company’s debt are investment grade. On February 10, 2022, Moody’s downgraded TNMP’s issuer rating from A3 to Baa1 and changed the outlook from negative to stable. Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that each rating is subject to revision or withdrawal at any time by the rating organization, and that each rating should be evaluated independently of any other rating.

As of February 18, 2022, ratings on the Company's securities were as follows:

	PNMR	PNM	TNMP
S&P			
Issuer rating	BBB	BBB	BBB+
Senior secured debt	*	*	A
Senior unsecured debt	BBB-	BBB	*
Preferred stock	*	BB+	*
Moody's			
Issuer rating	Baa3	Baa2	Baa1
Senior secured debt	*	*	A2
Senior unsecured debt	Baa3	Baa2	*
* Not applicable			

Investors are cautioned that a security rating is not a recommendation to buy, sell, or hold securities, that each rating is subject to revision or withdrawal at any time by the rating organization, and that each rating should be evaluated independently of any other rating.

A summary of liquidity arrangements as of February 18, 2022, is as follows:

	PNM	TNMP	PNMR Separate	PNMR Consolidated
	(In millions)			
Financing capacity:				
Revolving Credit Facility	$ 400.0	$ 75.0	$ 300.0	$ 775.0
PNM 2017 New Mexico Credit Facility	40.0	—	—	40.0
Total financing capacity	$ 440.0	$ 75.0	$ 300.0	$ 815.0
Amounts outstanding as of February 18, 2022:				
Revolving Credit Facility	$ —	$ 11.8	$ —	$ 11.8
PNM 2017 New Mexico Credit Facility	—	—	—	—
Letters of credit	—	—	3.4	3.4
Total short-term debt and letters of credit	—	11.8	3.4	15.2
Remaining availability as of February 18, 2022	$ 440.0	$ 63.2	$ 296.6	$ 799.8
Invested cash as of February 18, 2022	$ 1.0	$ —	$ 0.9	$ 1.9

In addition to the above, PNMR has $30.3 million of letters of credit outstanding under the WFB LOC Facility. The above table excludes intercompany debt. As of February 18, 2022, PNM had no intercompany borrowings and TNMP had $45.5 million of intercompany borrowings from PNMR. PNMR Development had no intercompany borrowings from PNMR and PNMR had $6.3 million in intercompany borrowing from PNMR Development. The remaining availability under the revolving credit facilities at any point in time varies based on a number of factors, including the timing of collections of accounts receivables and payments for construction and operating expenditures.

PNMR had an automatic shelf registration that provides for the issuance of various types of debt and equity securities that expired in March 2021. PNM has a shelf registration statement for up to $650.0 million of senior unsecured notes that expires in May 2023.

Off-Balance Sheet Arrangements

PNMR has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contingent Provisions of Certain Obligations

PNMR, PNM, and TNMP have a number of debt obligations and other contractual commitments that contain contingent provisions. Some of these, if triggered, could affect the liquidity of the Company. In the unlikely event that the contingent requirements were to be triggered, PNMR, PNM, or TNMP could be required to provide security, immediately pay outstanding obligations, or be prevented from drawing on unused capacity under certain credit agreements. The most significant consequences resulting from these contingent requirements are detailed in the discussion below.

The PNMR Revolving Credit Facility, PNM Revolving Credit Facility, PNM 2017 New Mexico Credit Facility, and the TNMP Revolving Credit Facility contain "ratings triggers," for pricing purposes only. If PNMR, PNM, or TNMP is downgraded or upgraded by the ratings agencies, the result would be an increase or decrease in interest cost. PNMR's facilities require that PNMR is to maintain a debt-to-capitalization ratio of less than or equal to 70%. The debt-to-capitalization ratio requirement remains at less than or equal to 65% for the PNM and TNMP facilities. If these ratios were exceeded, the entity could be required to repay all borrowings under its facility, be prevented from borrowing on the unused capacity under the facility and be required to provide collateral for all outstanding letters of credit issued under the facility.

If a contingent requirement were to be triggered under the PNM facilities resulting in an acceleration of the repayment of outstanding loans, a cross-default provision in the PVNGS leases could occur if the accelerated amount is not paid. If a cross-default provision is triggered, the PVNGS lessors have the ability to accelerate their rights under the leases, including acceleration of all future lease payments. The Company's revolving credit facilities and term loan agreements also include cross-default provisions (Note 7).

PNM's standard purchase agreement for the procurement of natural gas for its fuel needs contains a contingent requirement that could require PNM to provide collateral for its gas purchase obligations if the seller were to reasonably believe that PNM was unable to fulfill its payment obligations under the agreement.

The master agreement for the sale of electricity in the WSPP contains a contingent requirement that could require PNM to provide collateral if the credit ratings on its debt falls below investment grade. The WSPP agreement also contains a contingent requirement, commonly called a "material adverse change" provision, which could require PNM to provide collateral if a material adverse change in its financial condition or operations were to occur. Additionally, PNM utilizes standard derivative contracts to financially hedge and trade energy. These agreements contain contingent requirements that require PNM to provide security if the credit rating on its debt falls below investment grade. The Company believes its financing arrangements are sufficient to meet the requirements of the contingent provisions. No conditions have occurred that would result in any of the above contingent provisions being implemented.

Capital Structure

The capitalization tables below include the current maturities of long-term debt, but do not include short-term debt and do not include operating lease obligations as debt.

	December 31,	
PNMR	**2021**	**2020**
PNMR common equity	36.9 %	38.3 %
Preferred stock of subsidiary	0.2	0.2
Long-term debt	62.9	61.5
Total capitalization	100.0 %	100.0 %
PNM		
PNM common equity	50.9 %	51.4 %
Preferred stock	0.3	0.3
Long-term debt	48.8	48.3
Total capitalization	100.0 %	100.0 %
TNMP		
Common equity	50.6 %	49.2 %
Long-term debt	49.4	50.8
Total capitalization	100.0 %	100.0 %

OTHER ISSUES FACING THE COMPANY

Climate Change Issues

Background

For the past several years, management has identified multiple risks and opportunities related to climate change, including potential environmental regulation, technological innovation, and availability of fuel and water for operations, as among the most significant risks facing the Company. Accordingly, these risks are overseen by the Board in order to facilitate more integrated risk and strategy oversight and planning. Board oversight includes understanding the various challenges and opportunities presented by these risks, including the financial consequences that might result from enacted and potential federal and/or state regulation of GHG; plans to mitigate these risks; and the impacts these risks may have on the Company's strategy. In addition, the Board approves certain procurements of environmental equipment, grid modernization technologies, and replacement resources.

Management is also responsible for assessing significant risks, developing and executing appropriate responses, and reporting to the Board on the status of risk activities. For example, management periodically updates the Board on the implementation of corporate environmental policy, and the Company's environmental management systems, including the promotion of energy efficiency programs, and the use of renewable resources. The Board is also informed of the Company's practices and procedures to assess the impacts of operations on the environment. The Board considers issues associated with climate change, the Company's GHG exposures, and the financial consequences that might result from enacted and potential federal and/or state regulation of GHG. Management has published, with Board oversight, a Climate Change Report available at http://www.pnmresources.com/about-us/sustainability-portal.aspx, that details the Company's efforts to transition to an emissions-free generating portfolio by 2040.

As part of management's continuing effort to monitor climate-related risks and assess opportunities, the Company has advanced its understanding of climate change by participating in the "2 Degree Scenario" planning by participating in the Electric Power Research Institute ("EPRI") Understanding Climate Scenarios & Goal Setting Activities program. The program focused on characterizing and analyzing the relationship of individual electric utility company's carbon emissions and global temperature goals. Activities include analyzing the scientific understanding of global emissions pathways that are consistent with limiting global warming and providing insight to assist companies in developing approaches to climate scenario planning. As PNM expands its sustainability efforts, EPRI's program has also been useful in gaining a better understanding of the Task Force on Climate-Related Financial Disclosures' ("TCFD") recommendations for sustainability reporting. On November 19, 2019, TCFD announced the formation of the TCFD Advisory Group on Climate-Related Guidance. EPRI was invited to participate as one of seven members of the group that provides guidance on implementing scenario analysis at the utility company level and to assist in understanding how climate-related issues affect business strategies.

The Company cannot anticipate or predict the potential long-term effects of climate change or climate change related regulation on its results of operations, financial position, or cash flows.

Greenhouse Gas Emissions Exposures

In 2020, GHG associated with PNM's interests in its fossil-fueled generating plants included approximately 5.4 million metric tons of CO_2, which comprises the vast majority of PNM's GHG.

As of December 31, 2021, approximately 56% of PNM's generating capacity, including resources owned, leased, and under PPAs, all of which is located within the U.S., consisted of coal or gas-fired generation that produces GHG. This reflects the retirement of SJGS Units 2 and 3 that occurred in December 2017 and the restructuring of ownership in SJGS Unit 4. These events reduced PNM's entitlement in SJGS from 783 MW to 562 MW and caused the Company's output of GHG to decrease when compared to 2017. Many factors affect the amount of GHG emitted, including total electricity sales, plant performance, economic dispatch, and the availability of renewable resources. For example, wind generation performance from PNM's largest single renewable energy resource, New Mexico Wind, varies each year as a result of highly seasonal wind patterns and annual wind resource variability. Similarly, if PVNGS experienced prolonged outages or if PNM's entitlement from PVNGS were reduced, PNM might be required to utilize other power supply resources such as gas-fired generation, which could increase GHG.

PNM has several programs underway to reduce or offset GHG from its generation resource portfolio, thereby reducing its exposure to climate change regulation. As described in Note 16, PNM received approval for the December 31, 2017 shutdown of SJGS Units 2 and 3 as part of its strategy to address the regional haze requirements of the CAA. The shutdown of SJGS Units 2 and 3 resulted in a reduction of GHG for the entire station of approximately 54% for 2018, reflecting a reduction of 32% of GHG from the Company's owned interests in SJGS, below 2005 levels. In 2020, PNM received authorization for a June 2022 abandonment of SJGS Units 1 and 4. In addition, PNM has filed the Four Corners Abandonment Application with the NMPRC for approval to sell its ownership interest in Four Corners by the end of 2024. On December 15, 2021, the NMPRC rejected the hearing examiner's recommendations and issued an Order denying the requested abandonment and financing related to the Four Corners Abandonment application. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court and on January 21, 2022, PNM filed its Statement of Issues regarding the appeal. See additional discussion of the SJGS and Four Corners Abandonment in Note 17. Retiring PNM's share of SJGS and exiting participation in Four Corners would further reduce PNM's GHG as those two coal-fired stations represent approximately 86% of PNM's 2020 GHG emissions from generation.

As of December 31, 2021, PNM owned or procured power under PPAs from 957 MW of capacity from renewable generation resources. This is comprised of 158 MW of PNM owned solar as well as wind, solar-PV, and geothermal facilities aggregating to 658 MW, 130 MW, and 11 MW. These agreements currently have expiration dates beginning in January 2035 and extending through June 2045. The NMPRC has approved PNM's request to enter into additional PPAs for renewable energy for an additional 1,440 MW of energy from solar-PV facilities combined with 640 MW of battery storage agreements with an anticipated 100 MW expected to come online in 2022. The entire portfolio of replacement resources approved by the NMPRC in PNM's SJGS Abandonment Application includes replacement of SJGS capacity with the procurement of 650 MW of solar PPAs combined with 300 MW of battery storage agreements and the PVNGS Leased Interest Abandonment Application for solar PPAs of 450 MW combined with 290 MW of battery storage agreements. In addition, the NMPRC issued an order that will allow PNM to service a data center for an additional 190 MW of solar PPA combined with 50 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. Approval of these renewable energy and battery resources should further reduce any exposure to GHG emissions risk. These estimates are subject to change due to underlying variables, including changes in PNM's generation portfolio, supplier's ability to meet contractual in-service dates and complex relationships between several factors. See additional discussion of these resources in Notes 16 and 17.

PNM also has a customer distributed solar generation program that represented 201.2 MW at December 31, 2021. PNM's distributed solar programs will generate an estimated 402.4 GWh of emission-free solar energy available this year to offset PNM's annual production from fossil-fueled electricity generation. PNM has offered its customers a comprehensive portfolio of energy efficiency and load management programs since 2007. PNM's cumulative savings from these programs was approximately 5,924 GWh of electricity through 2021. Over the next 20 years, PNM projects energy efficiency and load management programs will provide the equivalent of approximately 9,500 GWh of electricity savings, which will avoid at least 1.0 million metric tons of CO_2 based upon projected emissions from PNM's system-wide resources. These estimates are subject to change because of the uncertainty of many of the underlying variables, including changes in PNM's generation portfolio, demand for electricity, energy efficiency, and complex relationships between those variables.

Because of PNM's dependence on fossil-fueled generation, legislation or regulation that imposes a limit or cost on GHG could impact the cost at which electricity is produced. While PNM expects to recover any such costs through rates, the timing and outcome of proceedings for cost recovery are uncertain. In addition, to the extent that any additional costs are recovered through rates, customers may reduce their usage, relocate facilities to other areas with lower energy costs, or take other actions that ultimately could adversely impact PNM.

Other Climate Change Risks

PNM's generating stations are located in the arid southwest. Access to water for cooling for some of these facilities is critical to continued operations. Forecasts for the impacts of climate change on water supply in the southwest range from reduced precipitation to changes in the timing of precipitation. In either case, PNM's generating facilities requiring water for cooling will need to mitigate the impacts of climate change through adaptive measures. Current measures employed by PNM generating stations such as air cooling, use of grey water, improved reservoir operations, and shortage sharing arrangements with other water users will continue to be important to sustain operations.

PNM's service areas occasionally experience periodic high winds and severe thunderstorms. TNMP has operations in the Gulf Coast area of Texas, which experiences periodic hurricanes and other extreme weather conditions. In addition to potentially causing physical damage to Company-owned facilities, which disrupts the ability to transmit and/or distribute energy, weather and other events of nature can temporarily reduce customers' usage and demand for energy. In addition, other events influenced by climate change, such as wildfires, could disrupt Company operations or result in third-party claims against the Company. PNM has enhanced its wildfire prevention efforts and maintains a wildfire mitigation plan.

EPA Regulation

In April 2007, the US Supreme Court held that EPA has the authority to regulate GHG under the CAA. This decision heightened the importance of this issue for the energy industry. In December 2009, EPA released its endangerment finding for GHG from new motor vehicles, stating that the atmospheric concentrations of six key greenhouse gases (CO_2, methane, nitrous oxides, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) endanger the public health and welfare of current and future generations. In May 2010, EPA released the final Prevention of Significant Deterioration ("PSD") and Title V Greenhouse Gas Tailoring Rule to address GHG from stationary sources under the CAA permitting programs. The purpose of the rule was to "tailor" the applicability of two programs, the PSD construction permit and Title V operating permit programs, to avoid impacting millions of small GHG emitters. On June 23, 2014, the US Supreme Court found EPA lacked authority to "tailor" the CAA's unambiguous numerical thresholds of 100 or 250 tons per year, and thus held EPA may not require a source to obtain a PSD permit solely on the basis of its potential GHG. However, the court upheld EPA's authority to apply the PSD program for GHG to "anyway" sources - those sources that are required to comply with the PSD program for other non-GHG pollutants.

On June 25, 2013, then President Obama announced his Climate Action Plan, which outlined how his administration planned to cut GHG in the U.S., prepare the country for the impacts of climate change, and lead international efforts to combat and prepare for global warming. The plan proposed actions that would lead to the reduction of GHG by 17% below 2005 levels by 2020.

On August 3, 2015, EPA responded to the Climate Action Plan by issuing (1) the Carbon Pollution Standards for new, modified, and reconstructed power plants (under Section 111(b)); and (2) the Clean Power Plan for existing power plants (under Section 111(d)).

EPA's Carbon Pollution Standards for new sources (those constructed after January 8, 2014) established separate standards for gas and coal-fired units deemed achievable through the application of what EPA determined to be the BSER demonstrated for each type of unit efficient natural gas combined cycle technology for gas units, and partial carbon capture and sequestration for coal units. The Clean Power Plan established numeric "emission standards" for existing electric generating units based on emission reduction opportunities that EPA deemed achievable using technical assumptions for three "building blocks": efficiency improvements at coal-fired EGUs, displacement of affected EGUs with renewable energy, and displacement of coal-fired generation with natural gas-fired generation.

Multiple states, utilities, and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources in separate cases, and the challenges successfully petitioned the US Supreme Court for a stay of the Clean Power Plan. However, before the DC Circuit could issue an opinion regarding either the Carbon Pollution Standards or the Clean Power Plan, President Trump took office and his administration asked the court to hold both cases in abeyance while the rules were re-evaluated, which the court granted.

On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines issued under CAA Section 111(d). EPA set the BSER for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" to be applied inside the fence-line of an individual facility. The ACE Rule was also challenged and, on January 19, 2021, the DC Circuit issued an opinion in American Lung Association and American Public Health Association v. EPA, et al. finding that EPA misinterpreted the CAA when it determined that the language of section 111 unambiguously barred consideration of emissions reductions options that were not applied at the source. As a result, the court vacated the ACE Rule and remanded the record to EPA for further consideration consistent with the court's opinion. While the D.C. Circuit rejected the ACE Rule, it did not reinstate the Clean Power Plan. EPA filed a motion seeking a partial stay of the mandate as to the repeal of the Clean Power Plan, to ensure the court's order will not render effective the now out-of-date Clean Power Plan. On February 22, 2021, the DC Circuit granted EPA's motion, indicating that it would withhold issuance of the mandate with respect to the repeal of the Clean Power Plan until EPA responds to the court's remand in a new rulemaking action. EPA has indicated it is developing a proposed rule under CAA Section 111(d) to establish guidelines for CO_2 emissions from existing EGUs. EPA expects to publish the draft rule in the summer of 2022. On October 29, 2021, the US Supreme Court granted four petitions for certiorari seeking review of the DC Circuit's decision vacating the ACE Rule and the repeal of the Clean Power Plan. Oral arguments in the US Supreme Court were held on February 28, 2022. A decision is expected in June 2022. The US Supreme Court's decision will rule on the extent of EPA's authority under CAA Section 111(d) to regulate GHGs from existing fossil-fueled EGUs.

The litigation over the Carbon Pollution Standards remains held in abeyance, but could be reactivated by the parties upon a determination by the court that the Biden Administration is unlikely to finalize the revisions proposed in 2018 and that reconsideration of the rule has concluded.

On January 20, 2021, President Biden signed an executive order "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis," which instructs agency heads to review all Trump Administration actions for inconsistency with the Biden Administration's policy "to listen to the science; to improve public health and protect our environment; to ensure access to clean air and water; to limit exposure to dangerous chemicals and pesticides; to hold polluters accountable, including those who disproportionately harm communities of color and low-income communities; to reduce greenhouse gas emissions; to bolster resilience to the impacts of climate change; to restore and expand our national treasures and monuments; and to prioritize both environmental justice and the creation of the well-paying union jobs necessary to deliver on these goals." Agency heads were directed to consider suspending, revising or rescinding any action that is inconsistent with the stated policy. Within 30 days of the executive order, agency heads submitted to OMB a preliminary list of those actions being considered for suspension, revision or rescission that would be completed by December 31, 2021, and would be subject to OMB review. Within 90 days of the executive order, agency heads submitted to OMB an updated list of such actions that would be completed by December 31, 2025. EPA is reconsidering the ACE Rule pursuant to this executive order.

Federal Legislation

President Biden has indicated that climate change is a top priority for his administration. A number of legislative proposals to address climate change are already being considered in the Democratic-led U.S. House of Representatives, but the thin majority held by the Democrats in the Senate may make enactment of new laws to address climate change difficult. On April 22, 2021, at the Earth Day Summit, as part of the U.S.'s re-entry into the Paris Agreement, President Biden unveiled the goal to cut U.S. emissions by 50% - 52% from 2005 levels by 2030, nearly double the GHG emissions reduction target set by the Obama Administration. The 2030 goal joins President Biden's other climate goals which include a carbon pollution-free power sector by 2035 and a net-zero emissions economy by no later than 2050.

State and Regional Activity

Pursuant to New Mexico law, each utility must submit an IRP to the NMPRC every three years to evaluate renewable energy, energy efficiency, load management, distributed generation, and conventional supply-side resources on a consistent and comparable basis. The IRP is required to take into consideration risk and uncertainty of fuel supply, price volatility, and costs of anticipated environmental regulations when evaluating resource options to meet supply needs of the utility's customers. The NMPRC requires that New Mexico utilities factor a standardized cost of carbon emissions into their IRPs using prices ranging between \$8 and \$40 per metric ton of CO_2 emitted and escalating these costs by 2.5% per year. Under the NMPRC order, each utility must analyze these standardized prices as projected operating costs. Reflecting the evolving nature of this issue, the NMPRC order states that these prices may be changed in the future to account for additional information or changed circumstances. Although these prices may not reflect the costs that ultimately will be incurred, PNM is required to use these prices for purposes of its IRP. In its 2020 filing for Four Corners Abandonment, PNM analyzed resource portfolio plans for scenarios that assumed Four Corners will operate through 2031 and for scenarios that assumed PNM will exit Four Corners at the end of 2024. The key findings of the analysis include that exiting Four Corners in 2024 would provide long-term economic benefits to PNM's customers. See Note 17.

The ETA was signed into New Mexico state law and became effective on June 14, 2019. The ETA, among other things, requires that investor-owned utilities obtain specified percentages of their energy from renewable and carbon-free resources. Prior to the enactment of the ETA, the REA established a mandatory RPS requiring utilities to acquire a renewable energy portfolio equal to 10% of retail electric sales by 2011, 15% by 2015, and 20% by 2020. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. Under the ETA provisions, PNM will also be required to meet a generation emission standard of no more than 400 lbs. of CO_2 per MWh beginning in 2023 and not more than 200 lbs. per MWh beginning in 2032. PNM takes this requirement into account in its resource planning, and it is expected that the standards will be met with the approved resource retirements and replacements. The ETA provides for a transition from coal-fired generating resources to carbon-free resources by allowing investor-owned utilities to issue securitized bonds, or "energy transition bonds," related to the retirement of coal-fired generating facilities to qualified investors. Proceeds from the energy transition bonds must be used only for purposes related to providing utility service to customers and to pay "energy transition costs" (as defined by the ETA). These costs may include coal mine reclamation, plant decommissioning, and other costs that have not yet been charged to customers or disallowed by the NMPRC or by a court order. Proceeds provided by energy transition bonds may also be used to pay for severances for employees of the retired coal-fired generating facility and related coal mine, as well as to pay for job training, education, and economic development. Energy transition bonds must be issued under a NMPRC financing order and are paid by a non-bypassable charge paid by all customers of the issuing utility. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to prioritize replacement resources in a manner intended to mitigate the economic impact to communities affected by these plant retirements. See additional discussion of the ETA in Note 16. PNM expects the ETA will have a significant impact on PNM's future generation portfolio. In February 2020, the hearing examiners assigned to the SJGS abandonment and financing proceedings issued recommended decisions recommending approval of PNM's abandonment application and for the issuance of Securitized Bonds consistent with the requirements of the ETA. On April 1, 2020, the NMPRC approved the hearing examiners' recommendation to approve PNM's application to retire its share of SJGS in 2022 and for the issuance of Securitized Bonds. PNM has also requested approval of energy transition bonds for the Four Corners Abandonment costs of that transition away from coal-fired generation. On December 15, 2021, the NMPRC denied approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. PNM cannot predict the full impact of the ETA or the outcome of the NM Supreme Court decision with respect to the abandonment of Four Corners. See additional discussion of PNM's SJGS and Four Corners Abandonment Applications in Note 17.

International Accords

The United Nations Framework Convention on Climate Change ("UNFCCC") is an international environmental treaty that was negotiated at the 1992 United Nations Conference on Environment and Development (informally known as the Earth Summit) and entered into force in March 1994. The objective of the treaty is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." Parties to the UNFCCC, including the U.S., have been meeting annually in Conferences of the Parties ("COP") to assess progress in meeting the objectives of the UNFCCC.

On December 12, 2015, the Paris Agreement was finalized during the 2015 COP. The aim of the Paris Agreement is to limit global temperature rise to two degrees Celsius above pre-industrial levels. The agreement, which was agreed to by approximately 200 parties, requires that countries submit INDCs. INDCs reflect national targets and actions that arise out of national policies and elements relating to oversight, guidance and coordination of actions to reduce emissions by all countries. In November 2014, then President Obama announced the United States' commitment to reduce GHG, on an economy-wide basis, by 26%-28% from 2005 levels by the year 2025. The U.S. INDC was part of an overall effort by the former administration to have the U.S. achieve economy-wide reductions of around 80% by 2050. The former administration's GHG reduction target for the electric utility industry was a key element of its INDC and was based on EPA's GHG regulations for new, existing, and modified and reconstructed sources at that time. Thresholds for the number of countries necessary to ratify or accede to the Paris Agreement and total global GHG percentage were achieved on October 5, 2016 and the Paris Agreement entered into force on November 4, 2016. On June 1, 2017, President Trump announced that the U.S. would withdraw from the Paris Agreement. As a result of the President's notice to the United Nations, the U.S. officially withdrew from the Paris Agreement on November 4, 2020. On January 20, 2021, President Biden signed an instrument that will allow the United States to rejoin the Paris Agreement on Climate Change. The instrument was deposited with the United Nations on January 21, 2021, and the United States officially became a party to the Agreement on February 19, 2021.

PNM has calculated GHG reductions that would result from scenarios that assume PNM's scheduled retirement of its share of the SJGS in 2022 and would exit from Four Corners in either 2024 or 2031 and PNM has set a goal to have a 100% emissions-free generating portfolio by 2040. While the Company has not conducted an independent 2 Degree Scenario analysis, our commitment to becoming 100% emissions-free by 2040 produces a carbon emissions reduction pathway that tracks within the ranges of climate scenario pathways that are consistent with limiting the global warming average to less than 2 degrees Celsius. In addition, as an investor-owned utility operating in the state of New Mexico, PNM is required to comply with the recently enacted ETA, which requires utilities' generating portfolio be 100% carbon-free by 2045. The requirements of the ETA and the Company's goal compare favorably to the U.S. NDC of 50% to 52% carbon emissions reduction by 2030 and the Biden Administration's goal of net-zero carbon emissions economy-wide by 2050. On April 1, 2020, the NMPRC approved PNM's application to retire its share of SJGS in 2022. PNM filed for abandonment of Four Corners on January 8, 2021. See Note 17.

PNM will continue to monitor the United States' participation in the Paris Agreement and other parties' involvement in these types of international accords, but the potential impact that such accords may have on the Company cannot be determined at this time.

Assessment of Legislative/Regulatory Impacts

The Company has assessed, and continues to assess, the impacts of climate change legislation and regulation on its business. This assessment is ongoing and future changes arising out of the legislative or regulatory process could impact the assessment significantly. PNM's assessment includes assumptions regarding specific GHG limits; the timing of implementation of these limits; the possibility of a market-based trading program, including the associated costs and the availability of emission credits or allowances; the development of emission reduction and/or renewable energy technologies; and provisions for cost containment. Moreover, the assessment assumes various market reactions such as the price of coal and gas and regional plant economics. These assumptions are, at best, preliminary and speculative. However, based upon these assumptions, the enactment of climate change legislation or regulation could, among other things, result in significant compliance costs, including large capital expenditures by PNM, and could jeopardize the economic viability of certain generating facilities. See Notes 16 and 17. While PNM currently expects the retirement of SJGS in 2022 will provide savings to customers, the ultimate consequences of climate change and environmental regulation could lead to increased costs to customers and affect results of operations, cash flows, and financial condition if the incurred costs are not fully recovered through regulated rates. Higher rates could also contribute to reduced usage of electricity. PNM's assessment process is evolving and is too speculative at this time for a meaningful prediction of the long-term financial impact.

Transmission Issues

At any given time, FERC has various notices of inquiry and rulemaking dockets related to transmission issues pending. Such actions may lead to changes in FERC administrative rules or ratemaking policy but have no time frame in which action must be taken or a docket closed with no further action. Further, such notices and rulemaking dockets do not apply strictly to PNM but will have industry-wide effects in that they will apply to all FERC-regulated entities. PNM monitors and often submits comments taking a position in such notices and rulemaking dockets or may join in larger group responses. PNM often cannot determine the full impact of a proposed rule and policy change until the final determination is made by FERC and PNM is unable to predict the outcome of these matters.

Financial Reform Legislation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Reform Act"), enacted in July 2010, includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading facility. It also includes provisions related to swap transaction reporting and record keeping and may impose margin requirements on swaps that are not centrally cleared. The U.S. Commodity Futures Trading Commission ("CFTC") has published final rules defining several key terms related to the act and has set compliance dates for various types of market participants. The Dodd-Frank Reform Act provides exemptions from certain requirements, including an exception to the mandatory clearing and swap facility execution requirements for commercial end-users that use swaps to hedge or mitigate commercial risk. PNM has elected the end-user exception to the mandatory clearing requirement. PNM expects to be in compliance with the Dodd-Frank Reform Act and related rules within the time frames required by the CFTC. However, as a result of implementing and complying with the Dodd-Frank Reform Act and related rules, PNM's swap activities could be subject to increased costs, including from higher margin requirements. At this time, PNM cannot predict the ultimate impact the Dodd-Frank Reform Act may have on PNM's financial condition, results of operations, cash flows, or liquidity.

Other Matters

See Notes 16 and 17 for a discussion of commitments and contingencies and rate and regulatory matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to apply accounting policies and to make estimates and judgments that best provide the framework to report the results of operations and financial position for PNMR, PNM, and TNMP. As a result, there exists the likelihood that materially different amounts would be reported under different conditions or using different assumptions. Management has identified the following accounting policies that it deems critical to the portrayal of the financial condition and results of operations and that involve significant subjectivity. The following discussion provides information on the processes utilized by management in making judgments and assumptions as they apply to its critical accounting policies.

Regulatory Accounting

The Company is subject to the provisions of GAAP for rate-regulated enterprises and records assets and liabilities resulting from the effects of the ratemaking process, which would not be recorded under GAAP for non-regulated entities. Additional information concerning regulatory assets and liabilities is contained in Note 13.

The Company continually evaluates the probability that regulatory assets and liabilities will impact future rates and makes various assumptions in those analyses. The expectations of future rate impacts are generally based on orders issued by regulatory commissions or historical experience, as well as discussions with applicable regulatory authorities. If future recovery or refund ceases to be probable, the Company would be required to write-off the portion that is not recoverable or refundable in current period earnings.

The Company has made adjustments to regulatory assets and liabilities that affected its results of operations in the past due to changes in various factors and conditions impacting future cost recovery. Based on its current evaluation, the Company believes that future recovery of its regulatory assets is probable.

Impairments

Tangible long-lived assets are evaluated for impairment when events and circumstances indicate that the assets might be impaired. These potential impairment indicators include management's assessment of fluctuating market conditions as a result of planned and scheduled customer purchase commitments; future market penetration; changing environmental requirements; fluctuating market prices resulting from factors including changing fuel costs and other economic conditions; long-term weather patterns; and other market trends. The amount of impairment recognized, if any, is the difference between the fair value of the asset and the carrying value of the asset and would reduce both the asset and current period earnings. Variations in the assessment of potential impairment or in the assumptions used to calculate an impairment could result in different outcomes, which could lead to significant effects on the Consolidated Financial Statements. See Notes 16 and 17.

Goodwill is evaluated for impairment at least annually, or more frequently if events and circumstances indicate that the goodwill might be impaired. Impairment testing may be performed based on either a qualitative analysis or quantitative analysis. Note 19 contains information on the impairment testing performed by the Company on goodwill. For 2021, the Company utilized a qualitative analysis for both the PNM and TNMP reporting units. No impairments were indicated in the Company's annual goodwill testing, which was performed as of April 1, 2021. Since the annual evaluation, there have been no indications that the fair values of the reporting units with recorded goodwill have decreased below the carrying values. The annual testing was based on certain critical estimates and assumptions. Changes in the estimates or the use of different assumptions could affect the determination of fair value and the conclusion of impairment for each reporting unit.

Application of the qualitative goodwill impairment test requires evaluating various events and circumstances to determine whether it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. As a part of the Company's goodwill qualitative testing process for a reporting unit, various factors that are specific to that reporting unit as well as industry and macroeconomic factors are evaluated in order to determine whether these factors are reasonably likely to have a material impact on the fair value of the reporting unit. Examples of the factors that were considered in the qualitative testing of the goodwill include the results of the most recent quantitative impairment test, current and long-term forecasted financial results, regulatory environment, credit rating, changes in the interest rate environment, and operating strategy for the reporting unit.

Based on the analysis performed for the PNM and TNMP reporting units in 2021, the Company concluded that there were no changes that were reasonably likely to cause the fair value of the reporting units to be less than their carrying value and determined that there was no impairment of goodwill. Although the Company believes all relevant factors were considered in the qualitative impairment analysis to reach the conclusion that goodwill is not impaired, significant changes in any one of the assumptions could produce a significantly different result potentially leading to the recording of an impairment that could have significant impacts on the results of operations and financial position of the Company.

Decommissioning and Reclamation Costs

PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Accounting for decommissioning costs for nuclear and fossil-fuel generation involves significant estimates related to costs to be incurred many years in the future after plant closure. Decommissioning costs are based on site-specific estimates, which are updated periodically and involve numerous judgments and assumptions, including estimates of future decommissioning costs at current price levels, inflation rates, and discount rates. Changes in these estimates could significantly impact PNMR's and PNM's financial position, results of operations, and cash flows. Nuclear decommissioning costs are based on estimates of the costs for removing all radioactive and other structures at PVNGS. AROs, including nuclear decommissioning costs, are discussed in Note 15. Nuclear decommissioning costs represent approximately 62% of PNM's ARO liability. A 10% increase in the estimates of future decommissioning costs at current price levels would have increased the ARO liability by $10.0 million at December 31, 2021. PNM recognizes an expense and a corresponding liability for ultimate decommissioning of PVNGS. See Note 17 for information concerning NMPRC's order to address the recovery of decommissioning costs in a future proceeding.

In connection with both the SJGS coal agreement and the Four Corners fuel agreement, the owners are required to reimburse the mining companies for the cost of contemporaneous reclamation, as well as the costs for final reclamation of the coal mines. The reclamation costs are based on periodic site-specific studies that estimate the costs to be incurred in the future and are dependent upon numerous assumptions, including estimates of future reclamation costs at current price levels, inflation rates, and discount rates. A 10% increase in the estimates of future reclamation costs at current price levels would have increased the mine reclamation liability by $10.9 million at December 31, 2021. PNM considers the contemporaneous reclamation costs part of the cost of its delivered coal costs. The NMPRC has capped the amount that can be collected from ratepayers for final reclamation of the surface mines. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. See Note 16 for discussion of reclamation costs.

Pension and Other Postretirement Benefits

The Company maintains qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs. The net periodic benefit cost or income and the calculation of the projected benefit obligations are recognized in the Company's financial statements and depend on expected investment performance, the level of contributions made to the plans, and employee demographics. These calculations require the use of a number of actuarial assumptions and estimates. The most critical of the actuarial assumptions are the expected long-term rate of return, the discount rate, and projected health care cost trend rates. The Company reviews and evaluates its actuarial assumptions annually and adjusts them as necessary. Changes in the pension and OPEB assets and liabilities associated with these factors are not immediately recognized as net periodic benefit cost or income in results of operations, but are recognized in future years, generally, over the remaining life of the plan. However, these factors could have a significant impact on the financial position of the Company. Note 11 contains additional information about pension and OPEB obligations, including assumptions utilized in the calculations and impacts of changes in certain of those assumptions.

Accounting for Contingencies

The financial results of the Company may be affected by judgments and estimates related to loss contingencies. Contingencies related to litigation and claims, as well as environmental and regulatory matters, also require the use of significant judgment and estimation. The Company attempts to take into account all known factors regarding the future outcome of contingent events and records an accrual for any contingent loss events that are both probable of occurring and can be reasonably estimated based upon current available information. However, the actual outcomes can vary from any amounts accrued which could have a material effect on the results of operations and financial position of the Company. See Note 16 and Note 17.

Income Taxes

The Company's income tax expense and related balance sheet amounts involve significant judgment and use of estimates. Amounts of deferred income tax assets and liabilities, current and noncurrent accruals, and determination of uncertain tax positions involve judgment and estimates related to timing and probability of the recognition of income and deductions by taxing authorities. In addition, some temporary differences are accorded flow-through treatment by the Company's regulators and impact the Company's effective tax rate. In assessing the likelihood of the realization of deferred tax assets, management considers the estimated amount and character of future taxable income. Significant changes in these judgments and estimates could have a material impact on the results of operations and financial position of the Company. Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations in future periods, and the final review from taxing authorities. See Note 18.

MD&A FOR PNM
RESULTS OF OPERATIONS

PNM operates in only one reportable segment, as presented above in Results of Operations for PNMR.

MD&A FOR TNMP
RESULTS OF OPERATIONS

TNMP operates in only one reportable segment, as presented above in Results of Operations for PNMR.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company manages the scope of its various forms of market risk through a comprehensive set of policies and procedures with oversight by senior level management through the RMC. The Board’s Finance Committee sets the risk limit parameters. The RMC has oversight over the risk control organization. The RMC is assigned responsibility for establishing and enforcing the policies, procedures, and limits and evaluating the risks inherent in proposed transactions on an enterprise-wide basis. The RMC’s responsibilities include:

- Establishing policies regarding risk exposure levels and activities in each of the business segments
- Approving the types of derivatives entered into for hedging
- Reviewing and approving hedging risk activities
- Establishing policies regarding counterparty exposure and limits
- Authorizing and delegating transaction limits
- Reviewing and approving controls and procedures for derivative activities
- Reviewing and approving models and assumptions used to calculate mark-to-market and market risk exposure
- Proposing risk limits to the Board’s Finance Committee for its approval
- Reporting to the Board’s Audit and Finance Committees on these activities

To the extent an open position exists, fluctuating commodity prices, interest rates, equity prices, and economic conditions can impact financial results and financial position, either favorably or unfavorably. As a result, the Company cannot predict with certainty the impact that its risk management decisions may have on its businesses, operating results, or financial position.

Commodity Risk

Information concerning accounting for derivatives and the risks associated with commodity contracts is set forth in Note 9, including a summary of the fair values of mark-to-market energy related derivative contracts included in the Consolidated Balance Sheets. During the years ended December 31, 2021 and 2020, the Company had no commodity derivative instruments designated as cash flow hedging instruments.

Commodity contracts that meet the definition of a derivative, are recorded at fair value on the Consolidated Balance Sheets. During the years ended December 31, 2021 and 2020, the effects of mark-to-market commodity derivative instruments had no impact to PNM's net earnings and $1.6 million and zero of fair value losses have been recorded as a regulatory asset. All of the fair values as of December 31, 2021 were determined based on prices provided by external sources other than actively quoted market prices. The net mark-to-market amounts will settle by the end of 2022.

PNM is exposed to changes in the market prices of electricity and natural gas for the positions in its wholesale portfolio not covered by the FPPAC. The Company manages risks associated with these market fluctuations by utilizing various commodity instruments that may qualify as derivatives, including futures, forwards, options, and swaps. PNM uses such instruments to hedge its exposure to changes in the market prices of electricity and natural gas. PNM also uses such instruments under an NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC.

Unusually cold weather in February 2021 resulted in higher than expected natural gas and purchased power costs. PNM mitigated the impacts from the cold weather by securing gas supplies in advance, engaging in market purchases when lower prices were available, and adjusting plant operation of its gas units to minimize reliance on higher-priced gas supplies. PNM estimates the impact of the cold weather conditions in the first quarter of 2021 resulted in approximately $20 million of additional natural gas costs and approximately $8 million in additional purchased power costs. These fuel increases are passed through to customers under the FPPAC.

Credit Risk

The Company is exposed to credit risk from its retail and wholesale customers, as well as the counterparties to derivative instruments. The Company conducts counterparty risk analysis across business segments and uses a credit management process to assess the financial conditions of counterparties. The following table provides information related to credit exposure by the credit worthiness (credit rating) and concentration of credit risk for wholesale counterparties, all of which will mature in less than two years.

Schedule of Credit Risk Exposure
December 31, 2021

Rating [1]	Credit Risk Exposure[2]	Number of Counter-parties >10%	Net Exposure of Counter-parties >10%
		(Dollars in thousands)	
External ratings:			
Investment grade	$ 9,366	2	$ 8,027
Non-investment grade	—	—	—
Split ratings	—	—	—
Internal ratings:			
Investment grade	1,637	—	—
Non-investment grade	—	—	—
Total	$ 11,003		$ 8,027

(1) The rating "Investment Grade" is for counterparties, or a guarantor, with a minimum S&P rating of BBB- or Moody's rating of Baa3. The category "Internal Ratings – Investment Grade" includes those counterparties that are internally rated as investment grade in accordance with the guidelines established in the Company's credit policy.

(2) The Credit Risk Exposure is the gross credit exposure, including long-term contracts (other than the Tri-State hazard sharing agreement), forward sales, and short-term sales. The gross exposure captures the amounts from receivables/payables for realized transactions, delivered and unbilled revenues, and mark-to-market gains/losses. Gross exposures can be offset according to legally enforceable netting arrangements but are not reduced by posted credit collateral. At December 31, 2021, PNMR held $0.9 million of cash collateral to offset its credit exposure.

Net credit risk for the Company's largest counterparty as of December 31, 2021 was $6.7 million.

Other investments have no significant counterparty credit risk.

Interest Rate Risk

The majority of the Company's long-term debt is fixed-rate debt and does not expose earnings to a major risk of loss due to adverse changes in market interest rates. However, the fair value of long-term debt instruments for PNMR, PNM, and TNMP would increase by 2.5%, 2.3%, and 5.1%, if interest rates were to decline by 50 basis points from their levels at December 31, 2021. In general, an increase in fair value would impact earnings and cash flows to the extent not recoverable in rates if all or a portion of debt instruments were acquired in the open market prior to their maturity. The Company is exposed to interest rate risk to the extent of future increases in variable interest rates. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates. The Company expects that it will be able to extend or replace these credit facilities under similar terms and conditions prior to their expirations.

At February 18, 2022, variable rate debt balances and weighted average interest rates were as follows:

Variable Rate Debt	Weighted Average Interest Rate	Balance Outstanding	Capacity
		(In thousands)	
Short-term Debt:			
PNMR Revolving Credit Facility	— %	$ —	$ 300,000
PNM Revolving Credit Facility	—	—	400,000
PNM 2017 New Mexico Credit Facility	—	—	40,000
TNMP Revolving Credit Facility	1.05	11,800	75,000
		$ 11,800	$ 815,000
Long-term Debt:			
PNMR 2021 Delayed-Draw Term Loan	0.96 %	$ 1,000,000	
PNM 2021 Term Loan	0.93	75,000	
		$ 1,075,000	

The investments held by PNM in trusts for decommissioning, reclamation, pension benefits, and other post-employment benefits had an estimated fair value of $1.1 billion at December 31, 2021, of which 43.3% were fixed-rate debt securities that subject PNM to risk of loss of fair value with increases in market interest rates. If interest rates were to increase by 50 basis points from their levels at December 31, 2021, the decrease in the fair value of the fixed-rate securities would be 4.2%, or $20.0 million. The securities held by TNMP in trusts for pension and other post-employment benefits had an estimated fair value of

$75.2 million at December 31, 2021, of which 44.6% were fixed-rate debt securities that subject TNMP to risk of loss of fair value with movements in market interest rates. If interest rates were to increase by 50 basis points from their levels at December 31, 2021, the decrease in the fair value of the fixed-rate securities would be 7.5%, or $2.5 million.

PNM and TNMP do not directly recover or return through rates any losses or gains on the securities, including equity and alternative investments discussed below, in the trusts for decommissioning, reclamation, pension benefits, and other post-employment benefits. However, the overall performance of these trusts does enter into the periodic determinations of expense and funding levels, which are factored into the rate making process to the extent applicable to regulated operations. The NMPRC ruled in the NM 2015 Rate Case that PNM would not be able to include future contributions made by PNM for decommissioning of PVNGS to the extent applicable to certain capacity purchased and leased by PNM in rates charged to retail customers. The NM Supreme Court ruled that the NMPRC's decision to disallow recovery of such future contributions for decommissioning denied PNM due process and remanded the matter back to the NMPRC for further proceedings. See Note 17. PNM and TNMP are at risk for shortfalls in funding of obligations due to investment losses, including those from the equity market and alternatives investment risks discussed below, to the extent not ultimately recovered through rates charged to customers.

Equity Market Risk

The investments held by PNM in trusts for decommissioning and reclamation and trusts established for PNM's and TNMP's pension and post-employment benefits plans include certain equity securities at December 31, 2021. These equity securities expose PNM and TNMP to losses in fair value should the market values of the underlying securities decline. Equity securities comprised 50% and 47.3% of the securities held by the various PNM and TNMP trusts as of December 31, 2021. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $56.9 million for PNM and $3.6 million for TNMP.

Alternatives Investment Risk

As of December 31, 2021, PNM and TNMP had 8.6% and 6.3% of its pension assets invested in the alternative asset class. Alternative investments include investments in hedge funds, real estate funds, and private equity funds. The hedge funds and private equity funds are limited partner structures that are structured as multi-manager multi-strategy fund of funds to achieve a diversified position in these asset classes. The general partner oversees the selection and monitoring of the underlying managers. The hedge funds pursue various absolute return strategies such as relative value, long-short equity, and event driven. Private equity fund strategies include mezzanine financing, buy-outs, and venture capital. The real estate investments are commingled real estate portfolios that invest in a diversified portfolio of assets including commercial property and multi-family housing. The Company's Corporate Investment Committee, assisted by its investment consultants, monitors the performance of the funds and general partner's investments process. There is risk associated with these funds due to the nature of the strategies and techniques and the use of investments that do not have readily determinable fair values. A hypothetical 10% decrease in equity prices would reduce the fair values of these funds by $4.9 million for PNM and $0.4 million for TNMP.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

INDEX

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of PNM Resources, Inc. and subsidiaries ("PNMR") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of PNMR's internal control over financial reporting based on the *Internal Control – Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that PNMR's internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of and for the year ended December 31, 2021 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

/s/ Patricia K. Collawn
Patricia K. Collawn,
Chairman, President, and Chief Executive Officer

/s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and Chief Financial Officer

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Public Service Company of New Mexico and subsidiaries (“PNM”) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of PNM’s internal control over financial reporting based on the *Internal Control – Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that PNM’s internal control over financial reporting was effective as of December 31, 2021.

/s/ Patricia K. Collawn
Patricia K. Collawn,
President and Chief Executive Officer

/s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and Chief Financial Officer

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Texas-New Mexico Power Company and subsidiaries ("TNMP") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of TNMP's internal control over financial reporting based on the *Internal Control – Integrated Framework (2013)* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that TNMP's internal control over financial reporting was effective as of December 31, 2021.

/s/ Patricia K. Collawn
Patricia K. Collawn,
Chief Executive Officer

/s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
PNM Resources, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of PNM Resources, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes and financial statement Schedule I - Condensed Consolidated Information of Parent Company and Schedule II - Valuation and Qualifying Accounts (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Pension and other postretirement benefit obligations

As discussed in Note 11 to the consolidated financial statements, the Company maintains qualified defined benefit pension plans and postretirement benefit plans providing medical and dental benefits. The Company's total estimated pension plans' projected benefit obligation and postretirement benefit plans' accumulated postretirement benefit obligation were $734.2 million as of December 31, 2021.

We identified the evaluation of the pension and other postretirement benefit obligations as a critical audit matter. This was due to the specialized skills and knowledge required to understand the Company's actuarial models and evaluate the assumptions related to the determination of the discount rates utilized in the measurement of the pension and other postretirement benefit obligations. In addition, there was subjectivity in performing procedures due to the sensitivity of the actuarial models to changes in the discount rates used to determine the present value of the projected benefit obligation and accumulated postretirement benefit obligation.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the pension and other postretirement benefit obligations process, including controls related to the development of the discount rates used and the evaluation of the actuarial models. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- understanding the actuarial models used by the Company to calculate its projected benefit obligation and accumulated postretirement benefit obligation, for consistency with generally accepted actuarial standards,
- evaluating the Company's discount rates, by understanding the methodology used to develop them, and
- comparing the changes in the discount rates from the prior year against changes in published indices.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Albuquerque, New Mexico
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Public Service Company of New Mexico:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Public Service Company of New Mexico and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes and financial statement Schedule II – Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Pension and other postretirement benefit obligations

As discussed in Note 11 to the consolidated financial statements, the Company maintains qualified defined benefit pension plans and postretirement benefit plans providing medical and dental benefits. The Company's total estimated pension plans' projected benefit obligation and postretirement benefit plans' accumulated postretirement benefit obligation were $663.7 million as of December 31, 2021.

We identified the evaluation of the pension and other postretirement benefit obligations as a critical audit matter. This was due to the specialized skills and knowledge required to understand the Company's actuarial models and evaluate the assumptions related to the determination of the discount rates utilized in the measurement of the pension and other postretirement benefit obligations. In addition, there was subjectivity in performing procedures due to the sensitivity of the actuarial models to changes in the discount rates used to determine the present value of the projected benefit obligation and accumulated postretirement benefit obligation.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the pension and other postretirement benefit obligations process, including controls related to the development of the discount rates used and the evaluation of the actuarial models. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- understanding the actuarial models used by the Company to calculate its projected benefit obligation and accumulated postretirement benefit obligation, for consistency with generally accepted actuarial standards,
- evaluating the Company’s discount rates, by understanding the methodology used to develop them, and
- comparing the changes in the discount rates from the prior year against changes in published indices.

/s/ KPMG LLP

We have served as the Company’s auditor since 2013.

Albuquerque, New Mexico
March 1, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors
Texas-New Mexico Power Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Texas-New Mexico Power Company and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings, changes in common stockholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes and financial statement Schedule II – Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.
Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Pension and other postretirement benefit obligations

As discussed in Note 11 to the consolidated financial statements, the Company maintains qualified defined benefit pension plans and postretirement benefit plans providing medical and dental benefits. The Company's total estimated pension plans' projected benefit obligation and postretirement benefit plans' accumulated postretirement benefit obligation were $70.6 million as of December 31, 2021.

We identified the evaluation of the pension and other postretirement benefit obligations as a critical audit matter. This was due to the specialized skills and knowledge required to understand the Company's actuarial models and evaluate the assumptions related to the determination of the discount rates utilized in the measurement of the pension and other postretirement benefit obligations. In addition, there was subjectivity in performing procedures due to the sensitivity of the actuarial models to changes in the discount rates used to determine the present value of the projected benefit obligation and accumulated postretirement benefit obligation.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the pension and other postretirement benefit obligations process, including controls related to the development of the discount rates used and the evaluation of the actuarial models. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- understanding the actuarial models used by the Company to calculate its projected benefit obligation and accumulated postretirement benefit obligation, for consistency with generally accepted actuarial standards,
- evaluating the Company's discount rates, by understanding the methodology used to develop them, and
- comparing the changes in the discount rates from the prior year against changes in published indices.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Albuquerque, New Mexico
March 1, 2022

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Electric Operating Revenues			
Contracts with customers	$ 1,569,405	$ 1,469,799	$ 1,377,208
Alternative revenue programs	(3,764)	(11,994)	(542)
Other electric operating revenue	214,232	65,207	80,937
Total electric operating revenues	1,779,873	1,523,012	1,457,603
Operating Expenses:			
Cost of energy	644,853	447,241	412,812
Administrative and general	230,292	216,334	189,227
Energy production costs	143,931	137,977	142,545
Regulatory disallowances and restructuring costs	1,194	1,098	151,095
Depreciation and amortization	284,107	275,612	267,808
Transmission and distribution costs	81,335	77,943	69,862
Taxes other than income taxes	86,008	81,526	80,054
Total operating expenses	1,471,720	1,237,731	1,313,403
Operating income	308,153	285,281	144,200
Other Income and Deductions:			
Interest income	14,662	14,223	14,022
Gains on investment securities	16,850	21,599	29,589
Other income	20,200	19,973	15,382
Other (deductions)	(18,559)	(18,732)	(15,328)
Net other income and (deductions)	33,153	37,063	43,665
Interest Charges	96,877	114,392	121,016
Earnings before Income Taxes	244,429	207,952	66,849
Income Taxes (Benefits)	32,582	20,636	(25,282)
Net Earnings	211,847	187,316	92,131
(Earnings) Attributable to Valencia Non-controlling Interest	(15,490)	(14,013)	(14,241)
Preferred Stock Dividend Requirements of Subsidiary	(528)	(528)	(528)
Net Earnings Attributable to PNMR	$ 195,829	$ 172,775	$ 77,362
Net Earnings Attributable to PNMR per Common Share:			
Basic	$ 2.28	$ 2.16	$ 0.97
Diluted	$ 2.27	$ 2.15	$ 0.97

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Net Earnings	$ 211,847	$ 187,316	$ 92,131
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 $478, $(5,736), and $(6,534)	(1,403)	16,850	19,190
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $2,480, $2,412, and $3,572	(7,285)	(7,085)	(10,491)
Pension Liability Adjustment:			
Experience gains (losses), net of income tax (expense) benefit of $(3,076), $(1,562), and $973	9,035	4,587	(2,856)
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of $(2,120), $(2,108), and $(1,880)	6,228	6,192	5,524
Fair Value Adjustment for Cash Flow Hedges:			
Change in fair market value, net of income tax (expense) benefit of $(458), $(323), and $888	1,346	948	(2,607)
Reclassification adjustment for (gains) losses included in net earnings, net of income tax (benefit) of $229, $442, and $(186)	(674)	(1,298)	547
Total Other Comprehensive Income (Loss)	7,247	20,194	9,307
Comprehensive Income	219,094	207,510	101,438
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(15,490)	(14,013)	(14,241)
Preferred Stock Dividend Requirements of Subsidiary	(528)	(528)	(528)
Comprehensive Income Attributable to PNMR	$ 203,076	$ 192,969	$ 86,669

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cash Flows From Operating Activities:			
Net earnings	$ 211,847	$ 187,316	$ 92,131
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	320,210	314,668	301,068
Deferred income tax expense (benefit)	30,747	20,405	(25,385)
(Gains) on investment securities	(16,850)	(21,599)	(29,589)
Stock based compensation expense	9,446	8,141	6,414
Regulatory disallowances and restructuring costs	1,194	1,098	151,095
Allowance for equity funds used during construction	(13,217)	(11,254)	(9,478)
Other, net	5,457	3,497	2,395
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(25,924)	(42,035)	3,796
Materials, supplies, and fuel stock	1,356	11,512	(6,095)
Other current assets	1,838	(8,135)	1,872
Other assets	31,135	29,923	42,803
Accounts payable	10,640	7,403	(272)
Accrued interest and taxes	2,692	(9,347)	14,691
Other current liabilities	6,894	23,740	(7,212)
Other liabilities	(29,592)	(29,633)	(35,071)
Net cash flows from operating activities	547,873	485,700	503,163
Cash Flows From Investing Activities:			
Additions to utility and non-utility plant	(935,016)	(679,028)	(616,273)
Proceeds from sales of investment securities	459,867	590,998	494,528
Purchases of investment securities	(477,672)	(607,591)	(513,866)
Investments in NMRD	—	(23,250)	(38,250)
Distributions from NMRD	572	—	—
Other, net	(9)	(14,928)	(37)
Net cash flows used in investing activities	(952,258)	(733,799)	(673,898)

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cash Flows From Financing Activities:			
Short-term borrowings (repayments), net	$ —	$ —	$ (150,000)
Revolving credit facilities borrowings (repayments), net	30,700	(153,100)	99,200
Long-term borrowings	1,816,345	1,267,845	745,000
Repayment of long-term debt	(1,411,345)	(977,845)	(407,302)
Issuance of common stock	—	283,208	—
Proceeds from stock option exercise	—	24	943
Awards of common stock	(10,130)	(11,984)	(9,918)
Dividends paid	(112,972)	(98,502)	(92,926)
Valencia’s transactions with its owner	(19,094)	(18,056)	(15,401)
Transmission interconnection and security deposit arrangements	80,558	11,452	10,015
Refunds paid under transmission interconnection arrangements	(10,195)	(5,905)	(4,325)
Debt issuance costs and other, net	(6,306)	(4,943)	(2,840)
Net cash flows from financing activities	357,561	292,194	172,446
Change in Cash and Cash Equivalents	(46,824)	44,095	1,711
Cash and Cash Equivalents at Beginning of Year	47,928	3,833	2,122
Cash and Cash Equivalents at End of Year	$ 1,104	$ 47,928	$ 3,833
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 91,276	$ 106,575	$ 115,476
Income taxes paid (refunded), net	$ 1,042	$ 969	$ (2,929)
Supplemental schedule of noncash investing and financing activities:			
(Increase) decrease in accrued plant additions	$ 7,362	$ (58,796)	$ 8,781
Contribution of utility plant to NMRD	$ —	$ 801	$ —

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,104	$ 47,928
Accounts receivable, net of allowance for credit losses of $7,265 and $8,333	123,292	113,410
Unbilled revenues	57,736	55,504
Other receivables	18,784	23,797
Materials, supplies, and fuel stock	65,061	66,417
Regulatory assets	14,785	202
Prepaid assets	37,325	42,064
Income taxes receivable	4,878	5,672
Other current assets	1,635	22,485
Total current assets	324,600	377,479
Other Property and Investments:		
Investment securities	463,126	440,115
Equity investment in NMRD	89,158	90,655
Other investments	265	284
Non-utility property, including financing leases	25,439	24,075
Total other property and investments	577,988	555,129
Utility Plant:		
Plant in service, held for future use, and to be abandoned	9,357,849	8,480,799
Less accumulated depreciation and amortization	2,952,743	2,835,170
	6,405,106	5,645,629
Construction work in progress	248,856	218,719
Nuclear fuel, net of accumulated amortization of $41,181 and $41,367	98,937	100,801
Net utility plant	6,752,899	5,965,149
Deferred Charges and Other Assets:		
Regulatory assets	514,258	557,790
Goodwill	278,297	278,297
Operating lease right-of-use assets, net of accumulated amortization	79,511	105,133
Other deferred charges	139,332	100,877
Total deferred charges and other assets	1,011,398	1,042,097
	$ 8,666,885	$ 7,939,854

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 62,700	$ 32,000
Current installments of long-term debt	179,339	575,518
Accounts payable	172,595	169,317
Customer deposits	5,095	6,606
Accrued interest and taxes	70,105	68,206
Regulatory liabilities	8,316	7,471
Operating lease liabilities	27,218	27,460
Dividends declared	132	28,243
Transmission interconnection arrangement liabilities	39,564	6,883
Other current liabilities	99,149	55,958
Total current liabilities	664,213	977,662
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	3,519,580	2,719,632
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	764,850	694,512
Regulatory liabilities	841,393	850,228
Asset retirement obligations	234,146	183,421
Accrued pension liability and postretirement benefit cost	19,057	58,101
Operating lease liabilities	55,993	81,065
Other deferred credits	333,195	255,230
Total deferred credits and other liabilities	2,248,634	2,122,557
Total liabilities	6,432,427	5,819,851
Commitments and Contingencies (See Note 16)		
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 85,834,874 shares)	1,429,257	1,429,941
Accumulated other comprehensive income (loss), net of income taxes	(71,936)	(79,183)
Retained earnings	810,203	698,707
Total PNMR common stockholders' equity	2,167,524	2,049,465
Non-controlling interest in Valencia	55,405	59,009
Total equity	2,222,929	2,108,474
	$ 8,666,885	$ 7,939,854

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

PNM RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to PNMR					
	Common Stock	AOCI	Retained Earnings	Total PNMR Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2018	$ 1,153,113	$ (108,684)	$ 643,953	$ 1,688,382	$ 64,212	$ 1,752,594
Net earnings before subsidiary preferred stock dividends	—	—	77,890	77,890	14,241	92,131
Total other comprehensive income	—	9,307	—	9,307	—	9,307
Subsidiary preferred stock dividends	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(93,792)	(93,792)	—	(93,792)
Proceeds from stock option exercise	943	—	—	943	—	943
Awards of common stock	(9,918)	—	—	(9,918)	—	(9,918)
Stock based compensation expense	6,414	—	—	6,414	—	6,414
Valencia's transactions with its owner	—	—	—	—	(15,401)	(15,401)
Balance at December 31, 2019	1,150,552	(99,377)	627,523	1,678,698	63,052	1,741,750
Net earnings before subsidiary preferred stock dividends	—	—	173,303	173,303	14,013	187,316
Total other comprehensive income	—	20,194	—	20,194	—	20,194
Subsidiary preferred stock dividends	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(101,591)	(101,591)	—	(101,591)
Proceeds from stock option exercise	24	—	—	24	—	24
Awards of common stock	(11,984)	—	—	(11,984)	—	(11,984)
Issuance of common stock	283,208	—	—	283,208	—	283,208
Stock based compensation expense	8,141	—	—	8,141	—	8,141
Valencia's transactions with its owner	—	—	—	—	(18,056)	(18,056)
Balance at December 31, 2020	1,429,941	(79,183)	698,707	2,049,465	59,009	2,108,474
Net earnings before subsidiary preferred stock dividends	—	—	196,357	196,357	15,490	211,847
Total other comprehensive income	—	7,247	—	7,247	—	7,247
Subsidiary preferred stock dividends	—	—	(528)	(528)	—	(528)
Dividends declared on common stock	—	—	(84,333)	(84,333)	—	(84,333)
Awards of common stock	(10,130)	—	—	(10,130)	—	(10,130)
Stock based compensation expense	9,446	—	—	9,446	—	9,446
Valencia's transactions with its owner	—	—	—	—	(19,094)	(19,094)
Balance at December 31, 2021	$ 1,429,257	$ (71,936)	$ 810,203	$ 2,167,524	$ 55,405	$ 2,222,929

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Electric Operating Revenues			
Contracts with customers	$ 1,151,896	$ 1,078,158	$ 1,010,898
Alternative revenue programs	(4,108)	(3,531)	1,987
Other electric operating revenue	214,232	65,207	80,937
Total electric operating revenues	1,362,020	1,139,834	1,093,822
Operating Expenses:			
Cost of energy	531,786	345,167	317,725
Administrative and general	196,719	180,113	172,903
Energy production costs	143,931	137,977	142,545
Regulatory disallowances and restructuring costs	1,194	1,098	150,599
Depreciation and amortization	170,365	165,325	160,368
Transmission and distribution costs	49,846	49,534	42,970
Taxes other than income taxes	46,682	45,723	45,644
Total operating expenses	1,140,523	924,937	1,032,754
Operating income	221,497	214,897	61,068
Other Income and Deductions:			
Interest income	14,605	14,469	14,303
Gains on investment securities	16,850	21,599	29,589
Other income	11,390	9,800	9,213
Other (deductions)	(14,431)	(14,279)	(11,813)
Net other income and (deductions)	28,414	31,589	41,292
Interest Charges	51,360	64,615	72,900
Earnings before Income Taxes	198,551	181,871	29,460
Income Taxes (Benefit)	26,992	21,857	(25,962)
Net Earnings	171,559	160,014	55,422
(Earnings) Attributable to Valencia Non-controlling Interest	(15,490)	(14,013)	(14,241)
Net Earnings Attributable to PNM	156,069	146,001	41,181
Preferred Stock Dividends Requirements	(528)	(528)	(528)
Net Earnings Available for PNM Common Stock	$ 155,541	$ 145,473	$ 40,653

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

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

	Year Ended December 31, 2021		
	2021	**2020**	**2019**
		(In thousands)	
Net Earnings	$ 171,559	$ 160,014	$ 55,422
Other Comprehensive Income (Loss):			
Unrealized Gains on Available-for-Sale Securities:			
Unrealized holding gains arising during the period, net of income tax (expense) of $478, $(5,736), and $(6,534)	(1,403)	16,850	19,190
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $2,480, $2,412, and $3,572	(7,285)	(7,085)	(10,491)
Pension Liability Adjustment:			
Experience gains (losses), net of income tax (expense) benefit of $(3,076), $(1,562), and $973	9,035	4,587	(2,856)
Reclassification adjustment for amortization of experience losses recognized as net periodic benefit cost, net of income tax (benefit) of $(2,120), $(2,108), and $(1,880)	6,228	6,192	5,524
Total Other Comprehensive Income (Loss)	6,575	20,544	11,367
Comprehensive Income	178,134	180,558	66,789
Comprehensive (Income) Attributable to Valencia Non-controlling Interest	(15,490)	(14,013)	(14,241)
Comprehensive Income Attributable to PNM	$ 162,644	$ 166,545	$ 52,548

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

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

	Year Ended December 31, 2021		
	2021	**2020**	**2019**
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 171,559	$ 160,014	$ 55,422
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	203,401	198,418	191,213
Deferred income tax expense (benefit)	27,120	22,442	(20,145)
(Gains) on investment securities	(16,850)	(21,599)	(29,589)
Regulatory disallowances and restructuring costs	1,194	1,098	150,599
Allowance for equity funds used during construction	(9,905)	(6,958)	(6,656)
Other, net	4,482	4,950	2,697
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(24,757)	(41,340)	5,877
Materials, supplies, and fuel stock	2,531	11,753	(5,128)
Other current assets	2,154	(2,718)	(1,453)
Other assets	30,187	24,882	31,409
Accounts payable	9,836	6,267	(3,617)
Accrued interest and taxes	20,214	(11,572)	5,579
Other current liabilities	9,169	16,682	18,002
Other liabilities	(37,884)	(36,556)	(39,087)
Net cash flows from operating activities	392,451	325,763	355,123
Cash Flows From Investing Activities:			
Utility plant additions	(602,180)	(335,055)	(341,847)
Proceeds from sales of investment securities	459,867	590,998	494,528
Purchases of investment securities	(477,672)	(607,591)	(513,866)
Other, net	(9)	(14,942)	(87)
Net cash flows used in investing activities	(619,994)	(366,590)	(361,272)

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

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

	Year ended December 31,		
	2021	**2020**	**2019**
	(In thousands)		
Cash Flows From Financing Activities:			
Revolving credit facilities borrowings (repayments), net	$ (2,600)	$ (48,000)	$ 15,600
Short-term borrowings (repayments) - affiliate, net	—	—	(19,800)
Long-term borrowings	631,345	852,845	290,000
Repayment of long-term debt	(446,345)	(902,845)	(200,000)
Equity contribution from parent	53,000	230,000	—
Dividends paid	(60,528)	(41,181)	(528)
Valencia’s transactions with its owner	(19,094)	(18,056)	(15,401)
Transmission interconnection and security deposit arrangements	47,858	4,050	10,015
Refunds paid under transmission interconnection arrangements	(2,893)	(5,905)	(72,525)
Debt issuance costs and other, net	(4,627)	364	(296)
Net cash flows from financing activities	196,116	71,272	7,065
Change in Cash and Cash Equivalents	(31,427)	30,445	916
Cash and Cash Equivalents at Beginning of Year	31,446	1,001	85
Cash and Cash Equivalents at End of Year	$ 19	$ 31,446	$ 1,001
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 45,729	$ 60,663	$ 65,445
Income taxes paid (refunded), net	$ (19,492)	$ —	$ (3,544)
Supplemental schedule of noncash investing activities:			
(Increase) decrease in accrued plant additions	$ 23,091	$ (48,037)	$ 4,751

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

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

	December 31,	
	2021	**2020**
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 19	$ 31,446
Accounts receivable, net of allowance for credit losses of $7,265 and $8,333	98,151	88,239
Unbilled revenues	44,759	43,724
Other receivables	16,538	21,814
Affiliate receivables	8,837	8,819
Materials, supplies, and fuel stock	57,942	60,472
Regulatory assets	8,721	—
Prepaid assets	30,266	34,984
Income taxes receivable	—	15,706
Other current assets	1,456	16,924
Total current assets	266,689	322,128
Other Property and Investments:		
Investment securities	463,126	440,115
Other investments	129	120
Non-utility property, including financing leases	10,717	9,505
Total other property and investments	473,972	449,740
Utility Plant:		
Plant in service, held for future use, and to be abandoned	6,602,015	6,022,753
Less accumulated depreciation and amortization	2,235,068	2,158,915
	4,366,947	3,863,838
Construction work in progress	182,520	148,962
Nuclear fuel, net of accumulated amortization of $41,181 and $41,367	98,937	100,801
Net utility plant	4,648,404	4,113,601
Deferred Charges and Other Assets:		
Regulatory assets	428,981	457,953
Goodwill	51,632	51,632
Operating lease right-of-use assets, net of accumulated amortization	73,903	97,461
Other deferred charges	116,552	88,518
Total deferred charges and other assets	671,068	695,564
	$ 6,060,133	$ 5,581,033

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

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

	December 31,	
	2021	**2020**
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 7,400	$ 10,000
Current installments of long-term debt	179,339	345,570
Accounts payable	107,795	121,050
Affiliate payables	15,203	14,058
Customer deposits	5,095	6,606
Accrued interest and taxes	37,137	32,630
Regulatory liabilities	8,316	5,419
Operating lease liabilities	25,278	25,130
Dividends declared	132	132
Transmission interconnection arrangement liabilities	39,564	6,883
Other current liabilities	70,643	26,854
Total current liabilities	495,902	594,332
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	1,701,771	1,351,050
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	630,682	579,150
Regulatory liabilities	653,830	664,873
Asset retirement obligations	233,383	182,718
Accrued pension liability and postretirement benefit cost	18,718	56,273
Operating lease liabilities	52,552	75,941
Other deferred credits	246,502	201,415
Total deferred credits and liabilities	1,835,667	1,760,370
Total liabilities	4,033,340	3,705,752
Commitments and Contingencies (See Note 16)		
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)	1,547,918	1,494,918
Accumulated other comprehensive income (loss), net of income taxes	(71,936)	(78,511)
Retained earnings	483,877	388,336
Total PNM common stockholder's equity	1,959,859	1,804,743
Non-controlling interest in Valencia	55,405	59,009
Total equity	2,015,264	1,863,752
	$ 6,060,133	$ 5,581,033

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

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to PNM					
	Common Stock	AOCI	Retained Earnings	Total PNM Common Stockholder's Equity	Non-controlling Interest in Valencia	Total Equity
	(In thousands)					
Balance at December 31, 2018	$ 1,264,918	$ (110,422)	$ 242,863	$ 1,397,359	$ 64,212	$ 1,461,571
Net earnings	—	—	41,181	41,181	14,241	55,422
Total other comprehensive income	—	11,367	—	11,367	—	11,367
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Valencia's transactions with its owner	—	—	—	—	(15,401)	(15,401)
Balance at December 31, 2019	1,264,918	(99,055)	283,516	1,449,379	63,052	1,512,431
Net earnings	—	—	146,001	146,001	14,013	160,014
Total other comprehensive income	—	20,544	—	20,544	—	20,544
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Equity contributions from parent	230,000	—	—	230,000	—	230,000
Dividends declared on common stock	—	—	(40,653)	(40,653)	—	(40,653)
Valencia's transactions with its owner	—	—	—	—	(18,056)	(18,056)
Balance at December 31, 2020	1,494,918	(78,511)	388,336	1,804,743	59,009	1,863,752
Net earnings	—	—	156,069	156,069	15,490	171,559
Total other comprehensive income	—	6,575	—	6,575	—	6,575
Dividends declared on preferred stock	—	—	(528)	(528)	—	(528)
Equity contribution from parent	53,000	—	—	53,000	—	53,000
Dividends declared on common stock	—	—	(60,000)	(60,000)	—	(60,000)
Valencia's transactions with its owner	—	—	—	—	(19,094)	(19,094)
Balance at December 31, 2021	$ 1,547,918	$ (71,936)	$ 483,877	$ 1,959,859	$ 55,405	$ 2,015,264

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Electric Operating Revenues			
Contracts with customers	$ 417,509	$ 391,641	$ 366,310
Alternative revenue programs	344	(8,463)	(2,529)
Total electric operating revenues	417,853	383,178	363,781
Operating Expenses:			
Cost of energy	113,067	102,074	95,087
Administrative and general	47,820	44,811	40,530
Regulatory disallowances	—	—	496
Depreciation and amortization	90,440	87,799	84,259
Transmission and distribution costs	31,489	28,409	26,892
Taxes other than income taxes	34,919	31,632	30,703
Total operating expenses	317,735	294,725	277,967
Operating income	100,118	88,453	85,814
Other Income and Deductions:			
Other income	7,176	8,546	5,559
Other (deductions)	(1,768)	(1,718)	(1,428)
Net other income and (deductions)	5,408	6,828	4,131
Interest Charges	33,735	30,388	29,100
Earnings before Income Taxes	71,791	64,893	60,845
Income Taxes	7,912	6,308	5,046
Net Earnings	$ 63,879	$ 58,585	$ 55,799

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Cash Flows From Operating Activities:			
Net earnings	$ 63,879	$ 58,585	$ 55,799
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	91,331	89,010	85,453
Regulatory disallowances	—	—	496
Deferred income tax (benefit)	(253)	(7,773)	(7,650)
Allowance for equity funds used during construction and other, net	(3,291)	(4,305)	(2,808)
Changes in certain assets and liabilities:			
Accounts receivable and unbilled revenues	(1,167)	(695)	(2,081)
Materials and supplies	(1,175)	(241)	(967)
Other current assets	(6,132)	(1,291)	(798)
Other assets	6,989	8,553	8,366
Accounts payable	338	1,607	1,829
Accrued interest and taxes	(1,533)	(530)	186
Other current liabilities	620	2,518	771
Other liabilities	5,545	2,135	(1,004)
Net cash flows from operating activities	155,151	147,573	137,592
Cash Flows From Investing Activities:			
Utility plant additions	(311,909)	(321,505)	(254,006)
Net cash flows used in investing activities	(311,909)	(321,505)	(254,006)

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

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

	Year Ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Cash Flow From Financing Activities:			
Revolving credit facilities borrowings (repayments), net	$ 400	$ (15,000)	$ (2,500)
Short-term borrowings (repayments) – affiliate, net	—	—	(100)
Long-term borrowings	65,000	185,000	305,000
Repayment of long-term debt	—	—	(207,302)
Transmission interconnection arrangements	32,700	7,402	—
Refunds paid under transmission interconnection arrangements	(7,302)	—	—
Equity contribution from parent	52,000	71,000	80,000
Dividends paid	—	(58,534)	(55,265)
Debt issuance costs and other, net	(840)	(2,136)	(2,419)
Net cash flows from financing activities	141,958	187,732	117,414
Change in Cash and Cash Equivalents	(14,800)	13,800	1,000
Cash and Cash Equivalents at Beginning of Year	14,800	1,000	—
Cash and Cash Equivalents at End of Year	$ —	$ 14,800	$ 1,000
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 31,599	$ 28,114	$ 28,055
Income taxes paid, (refunded) net	$ 13,735	$ 16,790	$ 13,611
Supplemental schedule of noncash investing activities:			
(Increase) decrease in accrued plant additions	$ (9,131)	$ (11,415)	$ 5,035

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

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

	December 31,	
	2021	2020
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ —	$ 14,800
Accounts receivable	25,141	25,171
Unbilled revenues	12,977	11,780
Other receivables	4,108	3,703
Materials and supplies	7,119	5,945
Regulatory assets	6,064	202
Other current assets	1,989	1,738
Total current assets	57,398	63,339
Other Property and Investments:		
Other investments	136	164
Non-utility property, including financing leases	13,499	13,298
Total other property and investments	13,635	13,462
Utility Plant:		
Plant in service and plant held for future use	2,475,859	2,193,270
Less accumulated depreciation and amortization	563,004	537,707
	1,912,855	1,655,563
Construction work in progress	53,401	61,359
Net utility plant	1,966,256	1,716,922
Deferred Charges and Other Assets:		
Regulatory assets	85,277	99,837
Goodwill	226,665	226,665
Operating lease right-of-use assets, net of accumulated amortization	5,264	7,206
Other deferred charges	10,277	5,149
Total deferred charges and other assets	327,483	338,857
	$ 2,364,772	$ 2,132,580

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

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

	December 31,	
	2021	**2020**
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 400	$ —
Accounts payable	43,089	33,620
Affiliate payables	6,568	5,883
Accrued interest and taxes	40,005	41,538
Regulatory liabilities	—	2,052
Operating lease liabilities	1,882	2,193
Other current liabilities	4,968	4,486
Total current liabilities	96,912	89,772
Long-term Debt, net of Unamortized Premiums, Discounts, and Debt Issuance Costs	918,050	853,673
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	157,248	145,369
Regulatory liabilities	187,563	185,355
Asset retirement obligations	763	703
Accrued pension liability and postretirement benefit cost	339	1,828
Operating lease liabilities	3,155	4,779
Other deferred credits	59,185	25,423
Total deferred credits and other liabilities	408,253	363,457
Total liabilities	1,423,215	1,306,902
Commitments and Contingencies (See Note 16)		
Common Stockholder's Equity:		
Common stock ($10 par value; 12,000,000 shares authorized; issued and outstanding 6,358 shares)	64	64
Paid-in-capital	737,166	685,166
Retained earnings	204,327	140,448
Total common stockholder's equity	941,557	825,678
	$ 2,364,772	$ 2,132,580

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

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

	Common Stock	Paid-in Capital	Retained Earnings	Total Common Stockholder's Equity
	(In thousands)			
Balance at December 31, 2018	$ 64	$ 534,166	$ 139,863	$ 674,093
Net earnings	—	—	55,799	55,799
Equity contribution from parent	—	80,000	—	80,000
Dividends declared on common stock	—	—	(55,265)	(55,265)
Balance at December 31, 2019	64	614,166	140,397	754,627
Net earnings	—	—	58,585	58,585
Equity contributions from parent	—	71,000	—	71,000
Dividends declared on common stock	—	—	(58,534)	(58,534)
Balance at December 31, 2020	64	685,166	140,448	825,678
Net earnings	—	—	63,879	63,879
Equity contributions from parent	—	52,000	—	52,000
Balance at December 31, 2021	$ 64	$ 737,166	$ 204,327	$ 941,557

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

(1) Summary of the Business and Significant Accounting Policies

Nature of Business

PNMR is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. PNMR's primary subsidiaries are PNM and TNMP. PNM is a public utility with regulated operations primarily engaged in the generation, transmission, and distribution of electricity. TNMP is a wholly-owned subsidiary of TNP, which is a holding company that is wholly-owned by PNMR. TNMP provides regulated transmission and distribution services in Texas. PNMR's common stock trades on the New York Stock Exchange under the symbol PNM. On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Merger Sub will merge with and into PNMR (the "Merger"), with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. See Note 22.

Financial Statement Preparation and Presentation

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.

The Notes to 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 2020 and 2019 Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2021 financial statement presentation.

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 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 10). 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 Services Company expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments. These services are billed at cost and are reflected as general and administrative expenses in the business segments. Other significant intercompany transactions between PNMR, PNM, and TNMP include intercompany loans, interest and income tax sharing payments, as well as equity transactions, and interconnection billings. All intercompany transactions and balances have been eliminated. See Note 20.

Accounting for the Effects of Certain Types of Regulation

The Company maintains its accounting records in accordance with the uniform system of accounts prescribed by FERC and adopted by the NMPRC and PUCT.

Certain of the Company's operations are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to the regulated operations. Regulators may assign costs to accounting periods that differ from accounting methods applied by non-regulated utilities. When it is probable that regulators will permit recovery of costs through future rates, costs are deferred as regulatory assets that otherwise would be expensed. Likewise, regulatory liabilities are recognized when it is probable that regulators will require refunds through future rates or when revenue is collected for expenditures that have not yet been incurred. GAAP also provides for the recognition of revenue and regulatory assets and liabilities associated with "alternative revenue programs" authorized by regulators. Such programs allow the utility to adjust future rates in response to past activities or completed events, if certain criteria are met. Regulatory assets and liabilities are amortized into earnings over the authorized recovery period. Accordingly, the Company has deferred certain costs and recorded certain liabilities pursuant to the rate actions of the NMPRC, PUCT, and FERC. Information on regulatory assets and regulatory liabilities is contained in Note 13.

In some circumstances, regulators allow a requested increase in rates to be implemented, subject to refund, before the regulatory process has been completed and a decision rendered by the regulator. When this occurs, the Company assesses the possible outcomes of the rate proceeding. The Company records a provision for refund to the extent the amounts being collected, subject to refund, exceed the amount the Company determines is probable of ultimately being allowed by the regulator.

Cash and Restricted Cash

Cash deposits received and held for a period of time that are restricted to a specific purpose, under the terms of their effective agreements, are considered restricted cash. Investments in highly liquid investments with original maturities of three months or less at the date of purchase are considered cash and cash equivalents. At December 31, 2021 and 2020 there was no restricted cash for PNMR, PNM, and TNMP.

Utility Plant

Utility plant is stated at original cost and includes capitalized payroll-related costs such as taxes, pension, other fringe benefits, administrative costs, and AFUDC, where authorized by rate regulation, or capitalized interest.

Repairs, including major maintenance activities, and minor replacements of property are expensed when incurred, except as required by regulators for ratemaking purposes. Major replacements are charged to utility plant. Gains, losses, and costs to remove resulting from retirements or other dispositions of regulated property in the normal course of business are credited or charged to accumulated depreciation.

PNM and TNMP may receive reimbursements, referred to as CIAC, from customers to pay for all or part of certain construction projects to the extent the project does not benefit regulated customers in general. PNM and TNMP account for these reimbursements as offsets to utility plant additions based on the requirements of the NMPRC, FERC, and PUCT. Due to the PUCT's regulatory treatment of CIAC reimbursements, TNMP also receives a financing component that is recognized as other income on the Consolidated Statements of Earnings. Under the NMPRC regulatory treatment, PNM typically does not receive a financing component.

Depreciation and Amortization

PNM's provision for depreciation and amortization of utility plant, other than nuclear fuel, is based upon straight-line rates approved by the NMPRC and FERC. Amortization of nuclear fuel is based on units-of-production. TNMP's provision for depreciation and amortization of utility plant is based upon straight-line rates approved by the PUCT. Depreciation and amortization of non-utility property, including right-of-use assets for finance leases as discussed in Note 8, is computed based on the straight-line method. The provision for depreciation of certain equipment is allocated between operating expenses and construction projects based on the use of the equipment. Average straight-line rates used were as follows:

	Year ended December 31,		
	2021	2020	2019
PNM			
Electric plant	2.48 %	2.47 %	2.47 %
Common, intangible, and general plant	7.91 %	7.65 %	7.91 %
TNMP	3.88 %	3.95 %	4.04 %

Allowance for Funds Used During Construction

As provided by the FERC uniform systems of accounts, AFUDC is charged to regulated utility plant for construction projects. This allowance is designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. It represents the cost of borrowed funds (allowance for borrowed funds used during construction or "debt AFUDC") and a return on other funds (allowance for equity funds used during construction or "equity AFUDC"). The debt AFUDC is recorded in interest charges and the equity AFUDC is recorded in other income on the Consolidated Statements of Earnings.

For the years ended December 31, 2021, 2020, and 2019, PNM recorded $3.4 million, $3.0 million, and $5.0 million of debt AFUDC at annual rates of 1.70%, 2.40%, and 2.99% and $9.9 million, $7.0 million, and $6.7 million of equity AFUDC at annual rates of 4.94%, 3.42%, and 3.95%. For the years ended December 31, 2021, 2020, and 2019, TNMP recorded $1.6 million, $2.1 million, and $2.4 million of debt AFUDC at rates of 1.80%, 2.20%, and 3.23% and $3.3 million, $4.3 million, and $2.8 million of equity AFUDC at rates of 3.67%, 4.42%, and 3.78%.

Materials, Supplies, and Fuel Stock

Materials and supplies relate to transmission, distribution, and generating assets. Materials and supplies are charged to inventory when purchased and are expensed or capitalized as appropriate when issued. Materials and supplies are valued using an average costing method. Coal is valued using a rolling weighted average costing method that is updated based on the current period cost per ton. Periodic aerial surveys are performed on the coal piles and adjustments are made. Average cost is equal to net realizable value under the ratemaking process.

Inventories consisted of the following at December 31:

	PNMR		PNM		TNMP	
	2021	2020	2021	2020	2021	2020
	(In thousands)					
Coal	$ 2,973	$ 12,012	$ 2,973	$ 12,012	$ —	$
Materials and supplies	62,088	54,405	54,969	48,460	7,119	
	$ 65,061	$ 66,417	$ 57,942	$ 60,472	$ 7,119	$

Investments

PNM holds investment securities in the NDT for the purpose of funding its share of the decommissioning costs of PVNGS and trusts for PNM's share of final reclamation costs related to the coal mines serving SJGS and Four Corners (Note 16). Investments (both equity and available-for-sale debt securities) are measured at fair market value on a quarterly basis with changes in fair value for equity securities recognized in earnings for that period. Since third party investment managers have sole discretion over the purchase and sale of the securities, PNM records a realized loss as an impairment for any available-for-sale debt security that has a market value which is less than cost at the end of each quarter. For the years ended December 31, 2021, 2020 and 2019, PNM recorded impairment losses on the available-for-sale debt securities of $(0.7) million, $3.2 million and $5.7 million. No gains or losses are deferred as regulatory assets or liabilities. See Notes 3 and 9. All investments are held in PNM's name and are in the custody of major financial institutions. The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in other income and deductions.

PNM records a realized loss as an impairment for any available-for-sale debt security that has a fair value that is less than its carrying value. As a result, the Company has no available-for-sale debt securities for which carrying value exceeds fair value and there are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings.

Equity Method Investment

PNMR accounts for its investment in NMRD using the equity method of accounting because PNMR's ownership interest results in significant influence, but not control, over NMRD and its operations. PNMR records as income its percentage share of earnings or loss of NMRD and carries its investment at cost, adjusted for its share of undistributed earnings or losses. See Note 21.

Goodwill

The Company does not amortize goodwill. Goodwill is evaluated for impairment annually, or more frequently if events and circumstances indicate that the goodwill might be impaired. See Note 19.

Asset Impairment

Tangible long-lived assets and right-of-use assets associated with leases are evaluated in relation to the estimated future undiscounted cash flows to assess recoverability when events and circumstances indicate that the assets might be impaired. See Note 16.

Revenue Recognition

See Note 4 for a discussion of electric operating revenues.

Accounts Receivable and Allowance for Credit Losses

See Note 4 for a discussion of accounts receivable and the allowance for credit losses.

Amortization of Debt Acquisition Costs

Discount, premium, and expense related to the issuance of long-term debt are amortized over the lives of the respective issues. Gains and losses incurred upon the early retirement of long-term debt are recognized in other income or other deductions, except for amounts recoverable through NMPRC, FERC, or PUCT regulation, which are recorded as regulatory assets or liabilities and amortized over the lives of the respective issues. Unamortized premium, discount, and expense related to long-term debt are reflected as part of the related liability on the Consolidated Balance Sheets.

Derivatives

The Company records derivative instruments, including energy contracts, on the balance sheet as either an asset or liability measured at their fair value. Changes in the derivatives' fair value are recognized in earnings unless specific hedge accounting criteria are met. PNM also records certain commodity derivative transactions recoverable through NMPRC regulation as regulatory assets or liabilities. See Note 9.

The Company treats all forward commodity purchases and sales contracts subject to unplanned netting or "book-out" by the transmission provider as derivative instruments subject to mark-to-market accounting. GAAP provides guidance on whether realized gains and losses on derivative contracts not held for trading purposes should be reported on a net or gross basis and concludes such classification is a matter of judgment that depends on the relevant facts and circumstances. See Note 4.

Decommissioning and Reclamation Costs

PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Nuclear decommissioning costs and related accruals are based on periodic site-specific estimates of the costs for removing all radioactive and other structures at PVNGS and are dependent upon numerous assumptions, including estimates of future decommissioning costs at current price levels, inflation rates, and discount rates. PNM's accruals for PVNGS Units 1, 2, and 3, including portions held under leases, have been made based on such estimates, the guidelines of the NRC, and the PVNGS license periods. See Note 17 for information concerning the treatment of nuclear decommissioning costs for certain purchased and leased portions of PVNGS in the NMPRC's order in PNM's NM 2015 Rate Case and the NM Supreme Court's decision on PNM's appeal of that order.

In connection with both the SJGS and Four Corners coal supply agreements, the owners are required to reimburse the mining companies for the cost of contemporaneous reclamation, as well as the costs for final reclamation of the coal mines. The reclamation costs are based on periodic site-specific studies that estimate the costs to be incurred in the future and are dependent upon numerous assumptions, including estimates of future reclamation costs at current price levels, inflation rates, and discount rates. PNM considers the contemporaneous reclamation costs part of the cost of its delivered coal costs. See Note 16 for a discussion of reclamation costs.

Environmental Costs

The normal operations of the Company involve activities and substances that expose the Company to potential liabilities under laws and regulations protecting the environment. Liabilities under these laws and regulations can be material and may be imposed without regard to fault, or may be imposed for past acts, even though the past acts may have been lawful at the time they occurred.

The Company records its environmental liabilities when site assessments or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. The Company reviews its sites and measures the liability by assessing a range of reasonably likely costs for each identified site using currently available information and the probable level of involvement and financial condition of other potentially responsible parties. These estimates are based on assumptions regarding the costs for site investigations, remediation, operations and maintenance, monitoring, and site closure. The ultimate cost to clean up the Company's identified sites may vary from its recorded liability due to numerous uncertainties inherent in the estimation process. Amounts recorded for environmental expense in the years ended December 31, 2021, 2020, and 2019, as well as the amounts of environmental liabilities at December 31, 2021 and 2020 were insignificant.

Pension and Other Postretirement Benefits

See Note 11 for a discussion of pension and postretirement benefits expense, including a discussion of the actuarial assumptions.

Stock-Based Compensation

See Note 12 for a discussion of stock-based compensation expense.

Income Taxes

Income taxes are recognized using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. All deferred taxes are reflected as non-current on the Consolidated Balance Sheets. Current NMPRC, FERC, and PUCT approved rates include the tax effects of the majority of these differences. Rate-regulated enterprises are required to record deferred income taxes for temporary differences accorded flow-through treatment at the direction of a regulatory commission. The resulting deferred tax assets and liabilities are recorded based on the expected cash flow to be reflected in future rates. Because the NMPRC, FERC, and the PUCT have consistently permitted the recovery of tax effects previously flowed-through earnings, the Company has established regulatory assets and liabilities offsetting such deferred tax assets and liabilities. The Company recognizes only the impact of tax positions that, based on their merits, are more likely than not to be sustained upon an IRS audit. The Company defers investment tax credits and amortizes them over the estimated useful lives of the assets. See Note 18 for additional information, including a discussion of the impacts of the Tax Act.

The Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. In interim periods, income tax expense is calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes. Certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, have been excluded from the estimated annual effective tax rate calculation.

Lease Commitments

See Note 8 for a discussion of lease commitments.

(2) 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 includes the generation and sale of electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity includes the asset optimization of PNM's jurisdictional capacity as well as the capacity excluded from retail rates. FERC has jurisdiction over wholesale power and transmission rates.

TNMP

TNMP is an electric utility providing services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT. TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service area. TNMP also provides transmission services at regulated rates to other utilities that interconnect with TNMP's facilities.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company. The activities of PNMR Development, NM Capital, and the equity method investment in NMRD are also included in Corporate and Other. Eliminations of intercompany income and expense transactions are reflected in the Corporate and Other segment.

PNMR SEGMENT INFORMATION

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.

2021	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	$ 1,362,020	$ 417,853	$ —	$ 1,779,873
Cost of energy	531,786	113,067	—	644,853
Utility margin	830,234	304,786	—	1,135,020
Other operating expenses	438,372	114,228	(9,840)	542,760
Depreciation and amortization	170,365	90,440	23,302	284,107
Operating income (loss)	221,497	100,118	(13,462)	308,153
Interest income	14,605	—	57	14,662
Other income (deductions)	13,809	5,408	(726)	18,491
Interest charges	(51,360)	(33,735)	(11,782)	(96,877)
Segment earnings (loss) before income taxes	198,551	71,791	(25,913)	244,429
Income taxes (benefit)	26,992	7,912	(2,322)	32,582
Segment earnings (loss)	171,559	63,879	(23,591)	211,847
Valencia non-controlling interest	(15,490)	—	—	(15,490)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	$ 155,541	$ 63,879	$ (23,591)	$ 195,829
At December 31, 2021:				
Total Assets	$ 6,060,133	$ 2,364,772	$ 241,980	$ 8,666,885
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

2020	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	$ 1,139,834	$ 383,178	$ —	$ 1,523,012
Cost of energy	345,167	102,074	—	447,241
Utility margin	794,667	281,104	—	1,075,771
Other operating expenses	414,445	104,852	(4,419)	514,878
Depreciation and amortization	165,325	87,799	22,488	275,612
Operating income	214,897	88,453	(18,069)	285,281
Interest income (loss)	14,469	—	(246)	14,223
Other income (deductions)	17,120	6,828	(1,108)	22,840
Interest charges	(64,615)	(30,388)	(19,389)	(114,392)
Segment earnings (loss) before income taxes	181,871	64,893	(38,812)	207,952
Income taxes (benefit)	21,857	6,308	(7,529)	20,636
Segment earnings (loss)	160,014	58,585	(31,283)	187,316
Valencia non-controlling interest	(14,013)	—	—	(14,013)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	$ 145,473	$ 58,585	$ (31,283)	$ 172,775
At December 31, 2020:				
Total Assets	$ 5,581,033	$ 2,132,580	$ 226,241	$ 7,939,854
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

2019	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	$ 1,093,822	$ 363,781	$ —	$ 1,457,603
Cost of energy	317,725	95,087	—	412,812
Utility margin	776,097	268,694	—	1,044,791
Other operating expenses	554,661	98,621	(20,499)	632,783
Depreciation and amortization	160,368	84,259	23,181	267,808
Operating income (loss)	61,068	85,814	(2,682)	144,200
Interest income (loss)	14,303	—	(281)	14,022
Other income (deductions)	26,989	4,131	(1,477)	29,643
Interest charges	(72,900)	(29,100)	(19,016)	(121,016)
Segment earnings (loss) before income taxes	29,460	60,845	(23,456)	66,849
Income taxes (benefit)	(25,962)	5,046	(4,366)	(25,282)
Segment earnings (loss)	55,422	55,799	(19,090)	92,131
Valencia non-controlling interest	(14,241)	—	—	(14,241)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	$ 40,653	$ 55,799	$ (19,090)	$ 77,362
At December 31, 2019:				
Total Assets	$ 5,242,991	$ 1,860,439	$ 195,344	$ 7,298,774
Goodwill	$ 51,632	$ 226,665	$ —	$ 278,297

The Company defines utility margin as electric operating revenues less cost of energy. Cost of energy consists primarily of fuel and purchase power costs for PNM and costs charged by third-party transmission providers for TNMP. The Company believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all such costs are offset in revenues as fuel and purchase power costs are passed through to customers under PNM's FPPAC and third-party transmission costs are passed on to customers through TNMP's transmission cost recovery factor. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

Major Customers

No individual customer accounted for more than 10% of the electric operating revenues of PNMR or PNM during the years ended December 31, 2021, 2020 or 2019. Three REPs accounted for more than 10% of the electric operating revenues of TNMP, as follows:

	Year Ended December 31,		
	2021	2020	2019
REP A	23 %	21 %	22 %
REP B	19 %	18 %	17 %
REP C	10 %	11 %	12 %

(3) Accumulated Other Comprehensive Income (Loss)

AOCI reports a measure for accumulated changes in equity that result from transactions and other economic events other than transactions with shareholders. Information regarding AOCI is as follows:

	Accumulated Other Comprehensive Income (Loss)				
	PNM			PNMR	
	Unrealized Gains on Available-for-Sale Securities	Pension Liability Adjustment	Total	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)				
Balance at December 31, 2018	$ 1,939	$ (112,361)	$ (110,422)	$ 1,738	$ (108,684)
Amounts reclassified from AOCI (pre-tax)	(14,063)	7,404	(6,659)	733	(5,926)
Income tax impact of amounts reclassified	3,572	(1,880)	1,692	(186)	1,506
Other OCI changes (pre-tax)	25,724	(3,829)	21,895	(3,495)	18,400
Income tax impact of other OCI changes	(6,534)	973	(5,561)	888	(4,673)
Net after-tax change	8,699	2,668	11,367	(2,060)	9,307
Balance at December 31, 2019	10,638	(109,693)	(99,055)	(322)	(99,377)
Amounts reclassified from AOCI (pre-tax)	(9,497)	8,300	(1,197)	(1,740)	(2,937)
Income tax impact of amounts reclassified	2,412	(2,108)	304	442	746
Other OCI changes (pre-tax)	22,586	6,149	28,735	1,271	30,006
Income tax impact of other OCI changes	(5,736)	(1,562)	(7,298)	(323)	(7,621)
Net after-tax change	9,765	10,779	20,544	(350)	20,194
Balance at December 31, 2020	20,403	(98,914)	(78,511)	(672)	(79,183)
Amounts reclassified from AOCI (pre-tax)	(9,765)	8,348	(1,417)	(903)	(2,320)
Income tax impact of amounts reclassified	2,480	(2,120)	360	229	589
Other OCI changes (pre-tax)	(1,881)	12,111	10,230	1,804	12,034
Income tax impact of other OCI changes	478	(3,076)	(2,598)	(458)	(3,056)
Net after-tax change	(8,688)	15,263	6,575	672	7,247
Balance at December 31, 2021	$ 11,715	$ (83,651)	$ (71,936)	$ —	$ (71,936)

The Consolidated Statements of Earnings include pre-tax amounts reclassified from AOCI related to Unrealized Gains on Available-for-Sale Debt Securities in gains (losses) on investment securities, related to Pension Liability Adjustment in other (deductions), and related to Fair Value Adjustment for Cash Flow Hedges in interest charges. The income tax impacts of all amounts reclassified from AOCI are included in income taxes in the Consolidated Statements of Earnings.

(4) Electric Operating Revenues

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists primarily of trade receivables from customers. In the normal course of business, credit is extended to customers on a short-term basis. The Company estimates the allowance for credit losses on trade receivables based on historical experience and estimated default rates. Accounts receivable balances are reviewed monthly, adjustments to the allowance for credit losses are made as necessary and amounts that are deemed uncollectible are written off.

As a result of the economic conditions resulting from the COVID-19 pandemic, PNM updated its allowance for accounts receivable balances and recorded incremental credit losses of $(1.1) million and $6.8 million in the years ended December 31, 2021 and 2020. The NMPRC issued an order authorizing all public utilities to create a regulatory asset to defer incremental costs related to COVID-19, including increases in uncollectible accounts. See discussion regarding regulatory treatment in Note 17.

In addition to the allowance for credit losses on trade receivables, the Company has evaluated other receivables for potential credit related losses. These balances include potential exposures for other non-retail utility services. In the years ended December 31, 2021 and 2020, PNM recorded $1.0 million and zero in estimated credit losses related to these transactions.

In February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. During the weather event, generators experienced an extreme spike in market driven fuel prices and in turn charged REPs excessive market driven power prices which eventually get passed to end users on their electricity bill. Given the uncertainty of the collectability of end users' bills by REPs, ERCOT also increased the collateral required by REPs in order to do business within ERCOT's Balancing Authority. TNMP has deferred bad debt expense (credit losses) from defaulting REPs to a regulatory asset totaling $0.8 million at December 31, 2021 and will seek recovery in a general rate case.

Revenue Recognition

Electric operating revenues are recorded in the period of energy delivery, which includes estimated amounts for service rendered but unbilled at the end of each accounting period. The determination of the energy sales billed to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading and the corresponding unbilled revenue are estimated. Unbilled electric revenue is estimated based on daily generation volumes, estimated customer usage by class, line losses, historical trends and experience, applicable customer rates or by using AMS data where available. Amounts billed are generally due within the next month. The Company does not incur incremental costs to obtain contracts for its energy services.

PNM’s wholesale electricity sales are recorded as electric operating revenues and wholesale electricity purchases are recorded as costs of energy sold. Derivative contracts that are subject to unplanned netting are recorded net in earnings. A “book-out” is the planned or unplanned netting of off-setting purchase and sale transactions. A book-out is a transmission mechanism to reduce congestion on the transmission system or administrative burden. For accounting purposes, a book-out is the recording of net revenues upon the settlement of a derivative contract.

Unrealized gains and losses on derivative contracts that are not designated for hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power and fuel supply agreements, used to hedge generation assets and purchased power costs. Changes in the fair value of economic hedges are reflected in results of operations, with changes related to economic hedges on sales included in operating revenues and changes related to economic hedges on purchases included in cost of energy sold. See Note 9.

The Company has collaborative arrangements related to its interest in SJGS, Four Corners, PVNGS, and Luna. The Company has determined that during the years ended December 31, 2021, 2020, and 2019 none of the joint owners in its collaborative arrangements were customers under Topic 606. The Company will continue to evaluate transactions between collaborative arrangement participants in future periods under the revenue requirements.

PNM and TNMP recognize revenue as they satisfy performance obligations, which typically occurs as the customer or end-user consumes the electric service provided. Electric services are typically for a bundle of services that are distinct and transferred to the end-user in one performance obligation measured by KWh or KW. Electric operating revenues are recorded in the period of energy delivery, including estimated unbilled amounts. The Company has elected to exclude all sales and similar taxes from revenue.

Revenue from contracts with customers is recorded based upon the total authorized tariff price at the time electric service is rendered, including amounts billed under arrangements qualifying as an Alternative Revenue Program ("ARP"). ARP arrangements are agreements between PNM or TNMP and its regulator that allow PNM or TNMP to adjust future rates in response to past activities or completed events, if certain criteria are met. ARP revenues are required to be reported separately from contracts with customers. ARP revenues in a given period include the recognition of "originating" ARP revenues (i.e. when the regulator-specific conditions are met) in the period, offset by the reversal of ARP revenues when billed to customers.

Sources of Revenue

Additional information about the nature of revenues is provided below. Additional information about matters affecting PNM's and TNMP's regulated revenues is provided in Note 17.

Revenue from Contracts with Customers

PNM

NMPRC Regulated Retail Electric Service – PNM provides electric generation, transmission, and distribution service to its rate-regulated customers in New Mexico. PNM's retail electric service territory covers a large area of north central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. Customer rates for retail electric service are set by the NMPRC and revenue is recognized as energy is delivered to the customer. PNM invoices customers on a monthly basis for electric service and generally collects billed amounts within one month.

Transmission Service to Third Parties – PNM owns transmission lines that are interconnected with other utilities in New Mexico, Texas, Arizona, Colorado, and Utah. Transmission customers receive service for the transmission of energy owned by the customer utilizing PNM's transmission facilities. Customers generally receive transmission services, which are regulated by FERC, from PNM through PNM's Open Access Transmission Tariff ("OATT") or a specific contract. Customers are billed based on capacity and energy components on a monthly basis.

Miscellaneous – Beginning on January 1, 2018, PNM acquired a 65 MW interest in SJGS Unit 4, which is held as merchant plant as ordered by the NMPRC. PNM sells power from 36 MW of this capacity to a third party at a fixed price that is recorded as revenue from contracts with customers. PNM is obligated to deliver power under this arrangement only when SJGS Unit 4 is operating. Other market sales from this 65 MW interest are recorded in other electric operating revenues.

TNMP

PUCT Regulated Retail Electric Service – TNMP provides transmission and distribution services in Texas under the provisions of TECA and the Texas Public Utility Regulatory Act. TNMP is subject to traditional cost-of-service regulation with respect to rates and service under the jurisdiction of the PUCT and certain municipalities. TNMP's transmission and distribution activities are solely within ERCOT and not subject to traditional rate regulation by FERC. TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service territory. Revenue is recognized as energy is delivered to the consumer. TNMP invoices REPs on a monthly basis and is generally paid within a month.

TCOS – TNMP is a transmission service provider that is allowed to recover its TCOS through a network transmission rate that is approved by the PUCT. TCOS customers are other utilities that receive service for the transmission of energy owned by the customer utilizing TNMP's transmission facilities.

Alternative Revenue Programs

The Company defers certain costs and records certain liabilities pursuant to the rate actions of the NMPRC, PUCT, and FERC. ARP revenues, which are discussed above, include recovery or refund provisions under PNM's renewable energy rider and true-ups to PNM's formula transmission rates; TNMP's AMS surcharge, transmission cost recovery factor, and the impacts of the PUCT's January 25, 2018 order regarding the change in the federal corporate income tax rate; and the energy efficiency incentive bonus at both PNM and TNMP. Regulatory assets and liabilities are recognized for the difference between ARP revenues and amounts billed under those programs. Regulatory assets and liabilities are amortized into earnings as amounts are billed. As discussed in Note 17, TNMP's 2018 Rate Case integrated AMS costs into base rates beginning January 1, 2019. These costs are being amortized into earnings as alternative revenues over a period of five years.

Other Electric Operating Revenues

Other electric operating revenues consist primarily of PNM's sales for resale meeting the definition of a derivative. Derivatives are not considered revenue from contracts with customers. PNM engages in activities meeting the definition of derivatives to optimize its existing jurisdictional assets and long-term power agreements through spot market, hour-ahead, day-ahead, week-ahead, month-ahead, and other sales of excess generation not required to fulfill retail load and contractual commitments. PNM also began participating in the EIM in 2021. The EIM is a real-time wholesale energy trading market operated by the CAISO that enables participating electric utilities to buy and sell energy. The NMPRC granted PNM authority to seek recovery of costs associated with joining the EIM in a future general rate case and to pass the benefits of participating in EIM to customers through the FPPAC. See Note 17.

Disaggregation of Revenues

A disaggregation of revenues from contracts with customers by the type of customer is presented in the table below. The table also reflects ARP revenues and other revenues.

	PNM	TNMP	PNMR Consolidated
Year Ended December 31, 2021		(In thousands)	
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	$ 484,720	$ 158,796	$ 643,516
Commercial	419,251	125,536	544,787
Industrial	88,479	29,089	117,568
Public authority	22,720	6,142	28,862
Economy energy service	35,220	—	35,220
Transmission	87,880	94,152	182,032
Miscellaneous	13,626	3,794	17,420
Total revenues from contracts with customers	1,151,896	417,509	1,569,405
Alternative revenue programs	(4,108)	344	(3,764)
Other electric operating revenues	214,232	—	214,232
Total Electric Operating Revenues	$ 1,362,020	$ 417,853	$ 1,779,873
Year Ended December 31, 2020			
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	$ 482,852	$ 158,066	$ 640,918
Commercial	392,257	118,243	510,500
Industrial	90,845	27,367	118,212
Public authority	23,126	5,853	28,979
Economy energy service	15,911	—	15,911
Transmission	59,856	78,374	138,230
Miscellaneous	13,311	3,738	17,049
Total revenues from contracts with customers	1,078,158	391,641	1,469,799
Alternative revenue programs	(3,531)	(8,463)	(11,994)
Other electric operating revenues	65,207	—	65,207
Total Electric Operating Revenues	$ 1,139,834	$ 383,178	$ 1,523,012

Year Ended December 31, 2019	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	$ 427,883	$ 150,742	$ 578,625
Commercial	396,987	116,953	513,940
Industrial	69,601	22,405	92,006
Public authority	20,322	5,694	26,016
Economy energy service	25,757	—	25,757
Transmission	57,214	66,948	124,162
Miscellaneous	13,134	3,568	16,702
Total revenues from contracts with customers	1,010,898	366,310	1,377,208
Alternative revenue programs	1,987	(2,529)	(542)
Other electric operating revenues	80,937	—	80,937
Total Electric Operating Revenues	$ 1,093,822	$ 363,781	$ 1,457,603

Contract Balances

Performance obligations related to contracts with customers are typically satisfied when the energy is delivered and the customer or end-user utilizes the energy. Accounts receivable from customers represent amounts billed, including amounts under ARP programs. For PNM, accounts receivable reflected on the Consolidated Balance Sheets, net of allowance for credit losses, includes $86.8 million and $86.2 million at December 31, 2021 and 2020 resulting from contracts with customers. All of TNMP's accounts receivable results from contracts with customers.

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). Upon the completion of the Western Spirit Line (Note 17), PNM entered into a TSA with Pattern Wind under an incremental tariff rate approved by FERC. The terms of the agreement provide for a financing component that benefits the customer. As such, the revenue that PNM recognizes will be in excess of the consideration received at the beginning of the service term resulting in a contract asset. As of December 31, 2021, the balance of the contract asset is $0.6 million and is presented in Other deferred charges on the Consolidated Balance Sheet. The Company had no contract assets as of December 31, 2020.

Contract liabilities arise when consideration is received in advance from a customer before satisfying the performance obligations. Therefore, revenue is deferred and not recognized until the obligation is satisfied. Under its OATT, PNM accepts upfront consideration for capacity reservations requested by transmission customers, which requires PNM to defer the customer's transmission capacity rights for a specific period of time. PNM recognizes the revenue of these capacity reservations over the period it defers the customer's capacity rights. Other utilities pay PNM and TNMP in advance for the joint-use of their utility poles. These revenues are recognized over the period of time specified in the joint-use contract, typically for one calendar year. Deferred revenues on these arrangements are recorded as contract liabilities. PNMR's, PNM's, and TNMP's contract liabilities and related revenues are insignificant for all periods presented. The Company has no other arrangements with remaining performance obligations to which a portion of the transaction price would be required to be allocated.

(5) Earnings and Dividends Per Share

Dual presentation of basic and diluted earnings per share has been presented in the Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share and dividends per share is as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Net Earnings Attributable to PNMR	$ 195,829	$ 172,775	$ 77,362
Average Number of Common Shares:			
Outstanding during year	85,835	79,941	79,654
Vested awards of restricted stock	235	216	277
Average Shares – Basic	86,070	80,157	79,931
Dilutive Effect of Common Stock Equivalents:			
PNMR 2020 Forward Equity Sale Agreements	—	106	—
Stock options and restricted stock	41	40	59
Average Shares – Diluted	86,111	80,303	79,990
Net Earnings Attributable to PNMR Per Share of Common Stock:			
Basic	$ 2.28	$ 2.16	$ 0.97
Diluted	$ 2.27	$ 2.15	$ 0.97
Dividends Declared per Common Share	$ 1.3300	$ 1.2500	$ 1.1775

(6) Stockholders' Equity

Common Stock and Equity Contributions

On December 15, 2020 PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of $45.805 per share aggregating net proceeds of $283.1 million. In addition, PNMR recorded a net $0.1 million for equity issuance costs reimbursed by the lead underwriter. Following this settlement, no shares of PNMR's common stock remain subject to future settlement under the PNMR 2020 Forward Equity Sale Agreements. See Note 7. PNMR, PNM, and TNMP did not issue any common stock during the year ended December 31, 2021. Neither PNM nor TNMP issued any common stock during the years ended December 31, 2020 and 2019. PNMR did not issue any common stock during the year ended December 31, 2019.

PNMR funded $53.0 million, $230.0 million, and zero of cash equity contributions to PNM in 2021, 2020, and 2019, respectively. PNMR also funded $52.0 million, $71.0 million, and $80.0 million of cash equity contributions to TNMP in 2021, 2020, and 2019, respectively.

PNMR offered shares of PNMR common stock through the PNMR Direct Plan. As required by the Merger Agreement, effective November 2, 2020, PNMR entered into the Second Amendment to the Third Amended and Restated PNM Resources, Inc. Direct Plan (the "PNMR Direct Plan"), which among other matters, terminated the right to purchase shares of PNMR common stock under the PNMR Direct Plan with respect to any cash dividends and optional cash investments not received by noon Eastern Time on November 17, 2020. No purchases of shares of PNMR common stock under the PNMR Direct Plan may occur after November 18, 2020. The shares of PNMR common stock utilized in the PNMR Direct Plan were offered under a SEC shelf registration statement that expired in March 2021.

Dividends on Common Stock

The declaration of common dividends by PNMR is dependent upon a number of factors, including the ability of PNMR's subsidiaries to pay dividends. PNMR's primary sources of dividends are its operating subsidiaries.

PNM declared and paid cash dividends to PNMR of $60.0 million, $40.7 million, and zero in 2021, 2020, and 2019. TNMP declared and paid cash dividends to PNMR of zero, $58.5 million, and $55.3 million in 2021, 2020, and 2019.

The NMPRC has placed certain restrictions on the ability of PNM to pay dividends to PNMR, including the restriction that PNM cannot pay dividends that cause its debt rating to fall below investment grade. The NMPRC provisions allow PNM to pay dividends, without prior NMPRC approval, from current earnings, which is determined on a rolling four quarter basis, or from equity contributions previously made by PNMR. The Federal Power Act also imposes certain restrictions on dividends by public utilities, including that dividends cannot be paid from paid-in capital. Debt-to-capitalization ratio requirements, as discussed in Note 7, remain at less than or equal to 65% for PNM and TNMP and less than or equal to 70% for PNMR. These debt-to-capitalization ratio requirements could limit the amounts of dividends that could be paid. PNM also has other financial covenants that limit the transfer of assets, through dividends or other means, including a requirement to obtain the approval of certain financial counterparties to transfer more than five percent of PNM's assets. As of December 31, 2021, none of the numerical tests would restrict the payment of dividends from the retained earnings of PNM or TNMP, and the 70% debt-to-capitalization covenant would restrict the payment of dividends by PNMR to $404.7 million.

In addition, the ability of PNMR to declare dividends is dependent upon the extent to which cash flows will support dividends, the availability of retained earnings, financial circumstances and performance, current and future regulatory decisions, Congressional and legislative acts, and economic conditions. Conditions imposed by the NMPRC or PUCT, future growth plans and related capital requirements, and business considerations may also affect PNMR's ability to pay dividends.

Preferred Stock

PNM's cumulative preferred shares outstanding bear dividends at 4.58% per annum. PNM preferred stock does not have a mandatory redemption requirement, but may be redeemed, at PNM's option, at 102% of the stated value plus accrued dividends. The holders of the PNM preferred stock are entitled to payment before the holders of common stock in the event of any liquidation or dissolution or distribution of assets of PNM. In addition, PNM's preferred stock is not entitled to a sinking fund and cannot be converted into any other class of stock of PNM.

PNMR and TNMP have no preferred stock outstanding. The authorized shares of PNMR and TNMP preferred stock are 10 million shares and 1 million shares, respectively.

(7) Financing

The Company's financing strategy includes both short-term and long-term borrowings. The Company utilizes short-term revolving credit facilities, as well as cash flows from operations, to provide funds for both construction and operating expenditures. Depending on market and other conditions, the Company will periodically sell long-term debt or enter into term loan arrangements and use the proceeds to reduce borrowings under the revolving credit facilities or refinance other debt. Each of the Company's revolving credit facilities, term loans, and other debt agreements contains a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR agreements this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements this ratio must be maintained at less than or equal to 65%. The Company's revolving credit facilities, term loans, and other debt agreements generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions.

PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual informational financing filing and short-term financing plan with the NMPRC.

Financing Activities

PNMR

At January 1, 2018, PNMR had outstanding letters of credit arrangements with JPMorgan Chase Bank N.A. (the "JPM LOC Facility") under which letters of credit aggregating $30.3 million were issued to facilitate the posting of reclamation bonds, which SJCC was required to post in connection with permits relating to the operation of the San Juan mine. On March 15, 2019, WSJ LLC acquired the assets of SJCC following the bankruptcy of Westmoreland. WSJ LLC assumed all obligations of SJCC, including those under the letter of credit support agreements. See Note 16. In May 2020, JPMorgan Chase Bank N.A. gave notice that it would not extend the letters of credit beyond their October 21, 2020 expiration. In August 2020, PNMR entered into replacement letter of credit arrangements with Wells Fargo Bank, N.A. (the "WFB LOC Facility") to replace the JPM LOC Facility. Letters of credit were issued under the WFB LOC Facility and exchanged for the letters of credit outstanding under the JPM LOC Facility prior to the expiration of the JPM LOC Facility. On October 21, 2020, the JPM LOC Facility expired according to its terms.

On December 31, 2019, PNMR had $50.0 million in borrowings under the PNMR 2018 Two-Year Term Loan. On December 21, 2020, the PNMR 2018 Two-Year Term Loan was repaid and terminated in accordance with its terms.

On January 7, 2020, PNMR entered into forward sale agreements with each of Citibank N.A., and Bank of America N.A., as forward purchasers and an underwriting agreement with Citigroup Global Markets Inc., and BofA Securities, Inc. as representatives of the underwriters named therein, relating to an aggregate of approximately 6.2 million shares of PNMR common stock (including 0.8 million shares of PNMR common stock pursuant to the underwriters' option to purchase additional shares) (the "PNMR 2020 Forward Equity Sale Agreements"). On January 8, 2020, the underwriters exercised in full their option to purchase the additional 0.8 million shares of PNMR common stock and PNMR entered into separate forward sales agreements with respect to the additional shares. The initial forward sale price of $47.21 per share is subject to adjustments based on a net interest rate factor and by expected future dividends paid on PNMR common stock as specified in the forward sale agreements. PNMR did not initially receive any proceeds upon the execution of these agreements and, except in certain specified circumstances, had the option to elect physical, cash, or net share settlement on or before the date that is 12 months from their effective dates.

On December 15, 2020 PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of $45.805 per share aggregating net proceeds of $283.1 million. In addition, PNMR recorded a net $0.1 million for equity issuance costs reimbursed by the lead underwriter. Following this settlement, no shares of PNMR's common stock remain subject to future settlement under the PNMR 2020 Forward Equity Sale Agreements. The PNMR 2020 Forward Equity Sale Agreements meet the derivative scope exception requirements for contracts involving an entity's own equity. Until settlement of the forward sale agreements, PNMR's EPS dilution resulting from the agreements, if any, was determined using the treasury stock method, which resulted in dilution during periods when the average market price of PNMR stock during the reporting period was higher than the applicable forward sales price as of the end of that period. See Note 5.

On December 31, 2020, PNMR had $300.0 million aggregate principal amount of 3.25% SUNs outstanding (the "PNMR 2018 SUNs"), which were set to mature on March 9, 2021. As discussed below, on March 9, 2021, PNMR utilized $220.0 million of capacity under the PNMR 2020 Delayed-Draw Term Loan as well as $80.0 million in borrowings under the PNMR Revolving Credit Facility to repay the PNMR 2018 SUNs.

On December 31, 2020, PNMR had $65.0 million outstanding under the PNMR Development Term Loan that was amended to reduce the balance from $90.0 million to $65.0 million. On May 18, 2021, the $65.0 million PNMR Development Term Loan was repaid using proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On December 31, 2020, PNMR had $150.0 million outstanding under the PNMR 2019 Term Loan that was set to mature on June 11, 2021. On May 18, 2021, the $150.0 million PNMR 2019 Term Loan was repaid using proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On December 21, 2020, PNMR entered into a $150.0 million term loan agreement (the "PNMR 2020 Term Loan"), between PNMR and U.S. Bank National Association, as sole lender. Proceeds from the PNMR 2020 Term Loan were used to repay the $50.0 million PNMR 2018 Two-Year Term Loan and for other corporate purposes. The PNMR 2020 Term Loan was set to mature on January 31, 2022. On May 18, 2021, the PNMR 2020 Term Loan was repaid with proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On December 22, 2020, PNMR entered into a $300.0 million delayed-draw term loan agreement (the "PNMR 2020 Delayed-Draw Term Loan"), among PNMR, the lenders party thereto, and MUFG Bank, Ltd., as administrative agent. Initially PNMR drew $80.0 million to refinance existing indebtedness and for other corporate purposes. PNMR used the remaining $220.0 million of capacity from the PNMR 2020 Delayed-Draw Term Loan to repay an equivalent amount of the PNMR 2018 SUNs. Draws on the PNMR 2020 Delayed-Draw Term Loan were set to mature on January 31, 2022. On May 18, 2021, the $300.0 million outstanding under the PNMR 2020 Delayed-Draw Term Loan was repaid with proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On May 18, 2021, PNMR entered into the PNMR 2021 Delayed-Draw Term Loan, among PNMR, the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent. Initially PNMR drew $850.0 million to repay and terminate existing indebtedness, including the $150.0 million PNMR 2019 Term Loan, the $300.0 million PNMR 2020 Delayed-Draw Term Loan, the $150.0 million PNMR 2020 Term Loan, the $65.0 million PNMR Development Term Loan, and $40.0 million in borrowings under the PNMR Development Revolving Credit Facility. Additionally, PNMR repaid $92.1 million in borrowings under the PNMR Revolving Credit Facility. On December 2, 2021, PNMR drew an additional $50.0 million under the PNMR 2021 Delayed-Draw Term Loan. Draws on the PNMR 2021 Delayed-Draw Term Loan bear interest at a variable rate, which was 0.95% at December 31, 2021, and mature on May 18, 2023. On January 24, 2022, PNMR drew the remaining $100.0 million available under the PNMR 2021 Delayed-Draw Term Loan.

PNMR had an automatic shelf registration that provides for the issuance of various types of debt and equity securities that expired in March 2021.

PNM

At January 1, 2019, PNM had a $200.0 million term loan agreement (the “PNM 2017 Term Loan”) between PNM and JPMorgan Chase Bank, N.A., as lender and administrative agent, and U.S. Bank National Association, as lender. The PNM 2017 Term Loan was repaid on January 18, 2019.

In 2018, PNMR Development deposited $68.2 million with PNM related to potential transmission network interconnections. PNM used the deposit to repay intercompany borrowings. PNM was required to pay interest to PNMR Development to the extent work under the interconnections has not been performed. The entire deposit of $68.2 million and accrued interest of $5.7 million was refunded in November 2019. The interconnection deposit and related refund is presented in financing activities and the interest payment is presented in operating activities on PNM’s Consolidated Statements of Cash Flows for the year ended December 31, 2019. During the year ended December 31, 2019 PNM recognized $3.3 million of interest expense under the agreement. All intercompany transactions related to this deposit have been eliminated on PNMR’s Consolidated Financial Statements.

On January 18, 2019, PNM entered into a $250.0 million term loan agreement (the “PNM 2019 $250.0 million Term Loan”) among PNM, the lenders party thereto, and U.S. Bank N.A., as administrative agent. PNM used the proceeds of the PNM 2019 $250.0 million Term Loan to repay the PNM 2017 Term Loan, to reduce short-term borrowings under the PNM Revolving Credit Facility, and for general corporate purposes. The PNM 2019 $250.0 million Term Loan was prepaid in April 2020 without penalty.

On December 18, 2019, PNM entered into a $40.0 million term loan agreement (the “PNM 2019 $40.0 million Term Loan”), between PNM and Bank of America, N.A. as sole lender and administrative agent. PNM used the proceeds of the PNM 2019 $40.0 million Term Loan to reduce short-term borrowings under the PNM Revolving Credit Facility and for general corporate purposes. On June 18, 2021, the $40.0 million PNM 2019 Term Loan was repaid using proceeds from the PNM 2021 Term Loan.

On April 15, 2020, PNM entered into a $250.0 million term loan agreement (the “PNM 2020 Term Loan”), between PNM, the lenders party thereto, and U.S. Bank N.A., as administrative agent. Proceeds from the PNM 2020 Term Loan were used to prepay the PNM 2019 $250.0 million Term Loan due July 2020, without penalty. As discussed below, on April 30, 2020, PNM used $100.0 million of proceeds from the PNM 2020 SUNs to prepay without penalty an equal amount of the PNM 2020 Term Loan. On December 21, 2020, PNM prepaid without penalty, the remaining $150.0 million balance of the PNM 2020 Term Loan.

On April 30, 2020, PNM entered into an agreement (the “PNM 2020 Note Purchase Agreement”) with institutional investors for the sale of $200.0 million aggregate principal amount of senior unsecured notes offered in private placement transactions. Under the agreement, PNM issued $150.0 million aggregate principal amount of its 3.21% senior unsecured notes, Series A, due April 30, 2030, and $50.0 million of its aggregate principal amount of its 3.57% senior unsecured notes, Series B, due April 29, 2039 (the “PNM 2020 SUNs”). The PNM 2020 SUNs were issued on April 30, 2020. PNM used $100.0 million of proceeds from the PNM 2020 SUNs to prepay, without penalty, an equal amount of the PNM 2020 Term Loan. The remaining $100.0 million of the PNM 2020 SUNs were used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes. The PNM 2020 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM 2020 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM 2020 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM 2020 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

At December 31, 2019, PNM had three series of outstanding PCRBs aggregating $100.3 million, that were subject to mandatory tender on June 1, 2020. One series of $40.0 million had a final maturity of June 1, 2040 and two series of $39.3 million and $21.0 million had a final maturity of June 1, 2043. On June 1, 2020, PNM purchased these PCRBs utilizing borrowings under the PNM Revolving Credit Facility and converted the PCRBs to the weekly mode. PNM held these PCRBs (without legally canceling them) until July 1, 2020, when they were remarketed in the weekly mode (the “PNM Floating Rate PCRBs”) and PNM used the remarketing proceeds to repay the revolver borrowings. The PNM Floating Rate PCRBs bore interest at rates that were reset weekly, giving investors the option to return the PCRBs for remarketing to new investors upon 7 days' notice. On October 1, 2021, PNM converted the PNM Floating Rate PCRBs to a fixed rate period and successfully remarketed them to new investors (the “PNM 2021 Fixed Rate PCRBs”). The PNM 2021 Fixed Rate PCRBs now bear interest at 0.875% and are subject to mandatory tender on October 1, 2026.

At December 31, 2019, PNM had PCRBs outstanding of $36.0 million at 6.25% issued by the Maricopa County, Arizona Pollution Control Corporation as well as $255.0 million at 5.90% and $11.5 million at 6.25% issued by the City of Farmington, New Mexico. The $36.0 million PCRBs became callable at 101% of par on January 1, 2020 and the remaining $266.5 million PCRBs became callable at par on June 1, 2020. On June 22, 2020, PNM provided notice to the bondholders that it was calling the PCRBs aggregating $302.5 million. On July 22, 2020, PNM purchased the PCRBs in lieu of redemption and remarketed them to new investors (the "PNM 2020 Fixed Rate PCRBs").

On June 18, 2021, PNM entered into a $75.0 million term loan (the "PNM 2021 Term Loan") between PNM and Bank of America, N.A., as lender. The PNM 2021 Term Loan was used to repay the PNM 2019 $40.0 million Term Loan and for other corporate purposes. The PNM 2021 Term Loan bears interest at a variable rate, which was 0.93% at December 31, 2021 and matures on December 18, 2022.

On July 14, 2021, PNM entered into the PNM 2021 Note Purchase Agreement with institutional investors for the sale and issuance of $160.0 million aggregate principal amount of the PNM 2021 SUNs offered in private placement transactions. The PNM 2021 SUNs were issued on July 14, 2021. PNM issued $80.0 million of the PNM 2021 SUNs at 2.59%, due July 15, 2033, and another $80.0 million at 3.14%, due July 15, 2041. Proceeds from the PNM 2021 SUNs were used to repay the total amount of $160.0 million of PNM's 5.35% SUNs, at par, earlier than their scheduled maturity of October 1, 2021. The PNM 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

On September 23, 2021, PNM entered into the PNM September 2021 Note Purchase Agreement with institutional investors for the sale and issuance of $150.0 million aggregate principal amount of the PNM September 2021 SUNs offered in private placement transactions. On December 2, 2021, PNM issued $50.0 million of the PNM September 2021 SUNs at 2.29%, due December 30, 2031, and another $100.0 million at 2.97%, due December 30, 2041. Proceeds from the PNM September 2021 SUNs were used for funding of capital expenditures, including the purchase of the Western Spirit Line, repayment of existing indebtedness, and for general corporate purposes. The PNM September 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM September 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM September 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM September 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

At December 31, 2020, PNM had $146.0 million of outstanding PCRBs with a final maturity of April 1, 2033. These PCRBs were subject to mandatory tender on October 1, 2021 and were successfully remarketed to new investors on that date. The $146.0 million PCRBs bear interest at a fixed rate of 2.15% until their final maturity.

PNM has a shelf registration statement, which will expire in May 2023, with capacity for the issuance of up to $650.0 million of senior unsecured notes.

TNMP

On July 25, 2018, TNMP entered into a $20.0 million term loan agreement. On December 17, 2018, the TNMP 2018 Term Loan agreement was amended to provide additional funding of $15.0 million, which resulted in a total committed amount of $35.0 million under the agreement (the "TNMP 2018 Term Loan"). TNMP used the proceeds from these issuances to repay short-term borrowings and for TNMP's general corporate purposes. The TNMP 2018 Term Loan was repaid on December 30, 2019.

On February 26, 2019, TNMP entered into an agreement (the "TNMP 2019 Bond Purchase Agreement") with institutional investors for the sale of $305.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the "TNMP 2019 Bonds") offered in private placement transactions. TNMP issued $225.0 million of TNMP 2019 Bonds on March 29, 2019 and used the proceeds to repay TNMP's $172.3 million 9.50% first mortgage bonds at their maturity on April 1, 2019, as well as to repay borrowings under the TNMP Revolving Credit Facility and for general corporate purposes. TNMP issued the remaining $80.0 million of TNMP 2019 Bonds on July 1, 2019 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for general corporate purposes. The terms of the indenture governing the TNMP 2019 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2019 Bonds at par. TNMP has the right to redeem any or all of the TNMP 2019 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

On April 24, 2020, TNMP entered into an agreement (the “TNMP 2020 Bond Purchase Agreement”) with institutional investors for the sale of $185.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the “TNMP 2020 Bonds”) offered in private placement transactions. TNMP issued $110.0 million of TNMP 2020 Bonds on April 24, 2020 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. TNMP issued the remaining $75.0 million of TNMP 2020 Bonds on July 15, 2020 and used the proceeds from that issuance to repay borrowings under the TNMP Revolving Credit facility and for other corporate purposes. The TNMP 2020 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the indenture governing the TNMP 2020 Bonds. The terms of the indenture governing the TNMP 2020 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2020 Bonds at par. TNMP has the right to redeem any or all of the TNMP 2020 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

On July 14, 2021, TNMP entered into the TNMP 2021 Bond Purchase Agreement with institutional investors for the sale of $65.0 million aggregate principal amount of the TNMP 2021 Bonds offered in private placement transactions. On August 16, 2021, TNMP issued all $65.0 million of the TNMP 2021 Bonds at 2.44% with a maturity of August 15, 2035 and used the proceeds to repay existing debt and for other corporate purposes. The TNMP 2021 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2021 Bonds. The terms of the supplemental indenture governing the TNMP 2021 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2021 Bonds at par. However, the definition of change of control in the supplemental indenture governing the TNMP 2021 Bonds will not be triggered by the closing of the Merger. TNMP has the right to redeem any or all of the TNMP 2021 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

Merger Related Financing Activities

On October 20, 2020, the execution of the Merger Agreement constituted a “Change of Control” under certain PNMR, TNMP and PNMR Development debt agreements. Under each of the specified debt agreements, a “Change of Control” constitutes an “Event of Default,” pursuant to which the lender parties thereto have the right to accelerate the indebtedness under the debt agreements. The definition of Change of Control under the PNM debt agreements and PNM note purchase agreements was not triggered by the execution of the Merger Agreement.

On October 26, 2020, PNMR, TNMP and PNMR Development entered into amendment agreements with the lender parties thereto to amend the definition of “Change of Control” such that the entry into the Merger Agreement would not constitute a Change of Control and to waive the Event of Default arising from entry into the Merger Agreement. On September 15, 2021, PNMR and TNMP and the lender parties further amended the definition of “Change of Control” in the PNMR Revolving Credit Facility and the TNMP Revolving Credit Facility such that the closing of the Merger does not constitute a Change of Control under those facilities. The Change of Control provisions in the PNM debt agreements, PNM note purchase agreements, and TNMP 2021 Bond Purchase Agreement are not triggered by the closing of the Merger and did not require amendment.

The documents governing TNMP's aggregate $750.0 million of outstanding 2014 to 2020 First Mortgage Bonds (“TNMP FMBs”) obligated TNMP to offer, within 30 business days following the signing of the Merger Agreement, to prepay those $750.0 million outstanding TNMP FMBs at 100% of the principal amount, plus accrued and unpaid interest thereon, but without any make-whole amount or other premium. TNMP made such offer to prepay the TNMP FMBs in accordance with the terms of the TNMP FMBs, and none of the holders of the TNMP FMBs accepted TNMP’s offer. The documents governing the 2014 to 2020 TNMP FMBs require TNMP to make another offer, within 30 business days of closing of the Merger, to prepay those $750.0 million outstanding TNMP FMBs at par. TNMP will make such offer to prepay the $750.0 million outstanding 2014 to 2020 TNMP FMBs in accordance with the terms of the TNMP FMBs; however, holders of the TNMP FMBs are not required to tender their TNMP FMBs and may accept or reject such offer to prepay. As discussed above, the supplemental indenture that governs the TNMP 2021 Bonds excludes the Merger from the definition of Change of Control.

The TNMP FMBs are not registered under the Securities Act and may not be offered or sold in the United States absent registration or applicable exemption from registration requirements and applicable state laws. The information in this Annual Report on Form 10-K is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. Similar to the offer to prepay made after signing the Merger Agreement, the post-Merger closing offer to prepay the TNMP FMBs will be made only pursuant to an offer to prepay, which will set forth the terms and conditions of the offer to prepay.

Interest Rate Hedging Activities

In 2017, PNMR entered into three separate four-year hedging agreements that effectively established fixed interest rates of 1.926%, 1.823%, and 1.629%, plus customary spreads over LIBOR, subject to change if there is a change in PNMR's credit rating, for three separate tranches, each of $50.0 million, of its variable rate debt.

These hedge agreements were accounted for as cash flow hedges and had fair values of $0.9 million that were included in other current liabilities on the Consolidated Balance Sheets at December 31, 2020. As discussed in Note 3, changes in the fair value of the cash flow hedges were deferred in AOCI and amounts reclassified to the Consolidated Statement of Earnings were recorded in interest charges. The fair values were determined using Level 2 inputs, including using forward LIBOR curves under the mid-market convention to discount cash flows over the remaining term of the agreement. On March 23, 2021, the 1.926% fixed interest rate hedge agreement expired according to its terms and the remaining agreements expired on May 23, 2021.

Borrowing Arrangements Between PNMR and its Subsidiaries

PNMR has intercompany loan agreements with its subsidiaries. Individual subsidiary loan agreements vary in amount up to $150.0 million and have either reciprocal or non-reciprocal terms. Interest charged to the subsidiaries is equivalent to interest paid by PNMR on its short-term borrowings or the money-market interest rate if PNMR does not have any short-term borrowings outstanding. All balances outstanding under intercompany loan agreements are eliminated upon consolidation. See Note 1. PNM and TNMP had no borrowings from PNMR at December 31, 2021 and 2020. At February 18, 2022, PNM had no borrowings and TNMP had $45.5 million of borrowings from PNMR. PNMR Development had zero and $0.3 million in short-term borrowings outstanding from PNMR at December 31, 2021 and 2020 and none at February 18, 2022. PNMR had $6.4 million and zero in short-term borrowings outstanding from PNMR Development at December 31, 2021 and 2020 and $6.3 million at February 18, 2022.

Short-term Debt and Liquidity

Currently, the PNMR Revolving Credit Facility has a financing capacity of $300.0 million and the PNM Revolving Credit Facility has a financing capacity of $400.0 million. Both facilities currently expire on October 31, 2023 and contain options to be extended through October 2024, subject to approval by a majority of the lenders. PNM also has the $40.0 million PNM 2017 New Mexico Credit Facility that expires on December 12, 2022. The TNMP Revolving Credit Facility is a $75.0 million revolving credit facility secured by $75.0 million aggregate principal amount of TNMP first mortgage bonds and matures on September 23, 2022 and contains two one-year extension options, subject to approval by a majority of the lenders. PNMR Development had a $40.0 million revolving credit facility that was set to expire on January 31, 2022. On May 18, 2021, the PNMR Development Revolving Credit Facility was terminated. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates.

Short-term debt outstanding consists of:

Short-term Debt	December 31, 2021	December 31, 2020
	(In thousands)	
PNM:		
PNM Revolving Credit Facility	$ 7,400	$ —
PNM 2017 New Mexico Credit Facility	—	10,000
	7,400	10,000
TNMP Revolving Credit Facility	400	—
PNMR:		
PNMR Revolving Credit Facility	54,900	12,000
PNMR Development Revolving Credit Facility	—	10,000
	$ 62,700	$ 32,000

In addition to the above borrowings, PNMR, PNM, and TNMP had letters of credit outstanding of $3.4 million, zero, and zero at December 31, 2021 that reduce the available capacity under their respective revolving credit facilities. In addition, PNMR had $30.3 million of letters of credit outstanding under the WFB LOC Facility. At December 31, 2021, interest rates on outstanding borrowings were 1.61% for the PNMR Revolving Credit Facility, 1.35% for the PNM Revolving Credit Facility, and 0.85% for the TNMP Revolving Credit Facility. There were no borrowings outstanding under the PNM 2017 New Mexico Credit Facility at December 31, 2021.

At February 18, 2022, PNMR, PNM, and TNMP had $296.6 million, $400.0 million, and $63.2 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. PNM had $40.0 million of availability under the PNM 2017 New Mexico Credit Facility. Total availability at February 18, 2022, on a consolidated basis, was $799.8 million for PNMR. At February 18, 2022, PNMR, PNM, and TNMP had invested cash of $0.9 million, $1.0 million, and zero.

Long-Term Debt

Information concerning long-term debt outstanding and unamortized (premiums), discounts, and debt issuance costs is as follows:

	December 31, 2021		December 31, 2020	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
	(In thousands)			
PNM Debt				
Senior Unsecured Notes, Pollution Control Revenue Bonds:				
1.875% due April 2033, mandatory tender - October 1, 2021	$ —	$ —	$ 146,000	$ 301
2.15% due April 2033	146,000	1,003	—	—
2.125% due June 2040, mandatory tender - June 1, 2022	37,000	45	37,000	135
2.45% due September 2042, mandatory tender - June 1, 2022	20,000	17	20,000	50
Floating rate, weekly-mode	—	—	100,345	798
0.875% due October 2026	100,345	697	—	—
1.05% due January 2038, mandatory tender - June 1, 2022	36,000	75	36,000	226
1.20% due June 2040, mandatory tender - June 1, 2022	11,500	24	11,500	72
1.10% due June 2040, mandatory tender June 1, 2023	130,000	535	130,000	892
1.15% due June 2040, mandatory tender - June 1, 2024	125,000	639	125,000	894
Senior Unsecured Notes:				
5.35% due October 2021	—	—	160,000	129
3.15% due May 2023	55,000	106	55,000	184
3.45% due May 2025	104,000	353	104,000	457
3.85% due August 2025	250,000	1,075	250,000	1,375
3.68% due May 2028	88,000	395	88,000	457
3.78% due August 2028	15,000	69	15,000	80
3.93% due May 2033	38,000	203	38,000	221
4.22% due May 2038	45,000	259	45,000	275
4.50% due May 2048	20,000	124	20,000	128
4.60% due August 2048	85,000	530	85,000	550
3.21% due April 2030	150,000	1,331	150,000	1,490
3.57% due April 2039	50,000	482	50,000	511
2.59% due July 2033	80,000	443	—	—
3.14% due July 2041	80,000	450	—	—
2.29% due December 2031	50,000	293	—	—
2.97% due December 2041	100,000	587	—	—
PNM 2019 $40.0 Million Term Loan due June 2021	—	—	40,000	—
PNM 2021 $75.0 Million Term Loan due December 2022	75,000	—	—	—
	1,890,845	9,735	1,705,845	9,225
Less current maturities	179,500	161	346,000	430
	1,711,345	9,574	1,359,845	8,795

	December 31, 2021		December 31, 2020	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
	(In thousands)			
TNMP Debt				
First Mortgage Bonds:				
6.95% due April 2043	$ 93,198	$ (15,202)	$ 93,198	$ (15,917)
4.03% due July 2024	80,000	264	80,000	369
3.53% due February 2026	60,000	338	60,000	420
3.22% due August 2027	60,000	324	60,000	380
3.85% due June 2028	60,000	406	60,000	469
3.79% due March 2034	75,000	460	75,000	497
3.92% due March 2039	75,000	486	75,000	514
4.06% due March 2044	75,000	501	75,000	524
3.60% due July 2029	80,000	451	80,000	511
2.73% due April 2030	85,000	699	85,000	784
3.36% due April 2050	25,000	235	25,000	243
2.93% due July 2035	25,000	224	25,000	241
3.36% due July 2050	50,000	473	50,000	490
2.44% due August 2035	65,000	489	—	—
	908,198	(9,852)	843,198	(10,475)
Less current maturities	—	—	—	—
	908,198	(9,852)	843,198	(10,475)
PNMR Debt				
PNMR 2021 Delayed-Draw Term Loan due May 2023	900,000	241	—	—
PNMR 3.25% 2018 SUNs due March 2021	—	—	300,000	137
PNMR Development Term Loan due January 2022	—	—	65,000	—
PNMR 2019 Term Loan due June 2021	—	—	150,000	6
PNMR 2020 Term Loan due January 2022	—	—	150,000	—
PNMR 2020 Delayed-Draw Term Loan due January 2022	—	—	80,000	—
	900,000	241	745,000	143
Less current maturities	—	—	230,000	52
	900,000	241	515,000	91
Total Consolidated PNMR Debt	3,699,043	124	3,294,043	(1,107)
Less current maturities	179,500	161	576,000	482
	$ 3,519,543	$ (37)	$ 2,718,043	$ (1,589)

Reflecting mandatory tender dates, long-term debt maturities as of December 31, 2020 are follows:

	PNMR	PNM	TNMP	PNMR Consolidated
	(In thousands)			
2022	$ —	$ 179,500	$ —	$ 179,500
2023	900,000	185,000	—	1,085,000
2024	—	125,000	80,000	205,000
2025	—	354,000	—	354,000
2026	—	100,345	60,000	160,345
Thereafter	—	947,000	768,198	1,715,198
Total	$ 900,000	$ 1,890,845	$ 908,198	$ 3,699,043

(8) Lease Commitments

The Company enters into various lease agreements to meet its business needs and to satisfy the needs of its customers. Historically, the Company's leases were classified as operating leases and included leases for generating capacity from PVNGS Units 1 and 2, certain rights-of-way agreements for transmission lines and facilities, vehicles and equipment necessary to construct and maintain the Company's assets and building and office equipment. In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)* to provide guidance on the recognition, measurement, presentation, and disclosure of leases. Among other things, ASU 2016-02 requires that all leases be recorded on the Consolidated Balance Sheets by recognizing a present value liability for future cash flows of the lease agreement and a corresponding right-of-use asset. The Company adopted Topic 842 on January 1, 2019, its required effective date. The Company elected to use many of the practical expedients available upon adoption of the standard. As a result, the Company will continue to classify its leases existing as of December 31, 2018 as operating leases until they expire or are modified. In addition, the Company elected the practical expedient to not reevaluate the accounting for land easements and rights-of-way agreements existing at December 31, 2018. The Company also elected the use of the practical expedient to apply the requirements of the new standard on its effective date and has not restated prior periods to conform to the new guidance. Adoption of the lease standard has a material impact on the Company's Consolidated Balance Sheets but does not have a material impact on the Consolidated Statements of Earnings or the Consolidated Statements of Cash Flows.

Effective January 1, 2019, the Company accounts for contracts that convey the use and control of identified assets for a period of time as leases. The Company classifies leases as operating or financing by evaluating the terms of the lease agreement. Agreements under which the Company is likely to utilize substantially all of the economic value or life of the asset or that the Company is likely to own at the end of the lease term, either through purchase or transfer of ownership, are classified as financing leases. Leases not meeting these criteria are accounted for as operating leases. Agreements under which the Company is a lessor are insignificant. PNMR, PNM, and TNMP determine present value for their leases using their incremental borrowing rates at the commencement date of the lease or, when readily available, the rate implicit in the agreement. The Company leases office buildings, vehicles, and other equipment. In addition, PNM leases interests in PVNGS Units 1 and 2 and certain rights-of-way agreements that are classified as leases. All of the Company's leases with terms in excess of one year are recorded on the Consolidated Balance Sheets by recording a present value lease liability and a corresponding right-of-use asset. Operating lease expense is recognized within operating expenses according to the use of the asset on a straight-line basis. Financing lease costs, which are comprised primarily of fleet and office equipment leases commencing after January 1, 2019, are recognized by amortizing the right-of-use asset on a straight-line basis and by recording interest expense on the lease liability. Financing lease right-of-use assets amortization is reflected in depreciation and amortization and interest on financing lease liabilities is reflected as interest charges on the Company's Consolidated Statements of Earnings.

PVNGS

PNM leases interests in Units 1 and 2 of PVNGS. The PVNGS leases were entered into in 1985 and 1986 and initially were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the four Unit 2 leases. Following procedures set forth in the PVNGS leases, PNM notified four of the lessors under the Unit 1 leases and one lessor under the Unit 2 lease that it would elect to renew those leases on the expiration date of the original leases. The four Unit 1 leases now expire on January 15, 2023 and the one Unit 2 lease now expires on January 15, 2024. The annual lease payments during the renewal periods aggregate $16.5 million for PVNGS Unit 1 and $1.6 million for Unit 2.

The terms of each of the extended leases do not provide for additional renewal options beyond their currently scheduled expiration dates. PNM had the option to purchase the assets underlying each of the extended leases at their fair market value or to return the lease interests to the lessors on the expiration dates. On June 11, 2020, PNM provided notice to the lessors and the NMPRC of its intent to return the assets underlying in both the PVNGS Unit 1 and Unit 2 leases upon their expiration in January 2023 and 2024. Although PNM elected to return the assets underlying the extended leases, PNM retains certain obligations related to PVNGS, including costs to decommission the facility. PNM is depreciating its capital improvements related to the extended leases using NMPRC approved rates through the end of the NRC license period for each unit, which expire in June 2045 for Unit 1 and in June 2046 for Unit 2.

On April 5, 2021, PNM and SRP entered into an Asset Purchase and Sale Agreement, pursuant to which PNM agreed to sell to SRP certain PNM-owned assets and nuclear fuel necessary to the ongoing operation and maintenance of leased capacity in PVNGS Unit 1 and Unit 2, which SRP has agreed to acquire from the lessors upon termination of the existing leases. The proposed transaction between PNM and SRP received all necessary approvals, including NRC approval for the transfer of the associated possessory licenses to SRP at the end of the term of each of the respective leases. See Notes 16 and 17 for information on other PVNGS matters including the PVNGS Leased Interest Abandonment Application which included PNM's request to create regulatory assets for the associated remaining undepreciated investments.

PNM is exposed to loss under the PVNGS lease arrangements upon the occurrence of certain events that PNM does not consider reasonably likely to occur. Under certain circumstances (for example, the NRC issuing specified violation orders with respect to PVNGS or the occurrence of specified nuclear events), PNM would be required to make specified payments to the lessors and take title to the leased interests. If such an event had occurred as of December 31, 2021, amounts due to the lessors under the circumstances described above would be up to $148.4 million, payable on January 15, 2022 in addition to the scheduled lease payments due on that date.

Land Easements and Rights-of-Ways

Many of PNM’s electric transmission and distribution facilities are located on lands that require the grant of rights-of-way from governmental entities, Native American tribes, or private parties. PNM has completed several renewals of rights-of-way, the largest of which is a renewal with the Navajo Nation. PNM is obligated to pay the Navajo Nation annual payments of $6.0 million, subject to adjustment each year based on the Consumer Price Index, through 2029. PNM’s April 2021 payment for the amount due under the Navajo Nation right-of-way lease was $7.3 million, which included amounts due under the Consumer Price Index adjustment. Changes in the Consumer Price Index subsequent to January 1, 2019 are considered variable lease payments.

PNM has other prepaid rights-of-way agreements that are not accounted for as leases or recognized as a component of plant in service. PNM reflects the unamortized balance of these prepayments in other deferred charges on the Consolidated Balance Sheets and recognizes amortization expense associated with these agreements in the Consolidated Statement of Earnings over their term. As of December 31, 2021 and 2020, the unamortized balance of these rights-of-ways was $53.4 million and $55.8 million. During the years ended December 31, 2021, 2020, and 2019, PNM recognized amortization expense associated with these agreements of $3.7 million, $4.4 million, and $3.7 million.

Fleet Vehicles and Equipment

Fleet vehicle and equipment leases commencing on or after January 1, 2019 are classified as financing leases. Fleet vehicle and equipment leases existing as of December 31, 2018 are classified as operating leases. The Company’s fleet vehicle and equipment lease agreements include non-lease components for insignificant administrative and other costs that are billed over the life of the agreement. At December 31, 2021, residual value guarantees on fleet vehicle and equipment leases are $0.9 million, $1.4 million, and $2.3 million for PNM, TNMP, and PNMR.

Information related to the Company’s operating leases recorded on the Consolidated Balance Sheets is presented below:

	December 31, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Operating leases:						
Operating lease assets, net of amortization	$ 73,903	$ 5,264	$ 79,511	$ 97,461	$ 7,206	$ 105,133
Current portion of operating lease liabilities	25,278	1,882	27,218	25,130	2,193	27,460
Long-term portion of operating lease liabilities	52,552	3,155	55,993	75,941	4,779	81,065

As discussed above, the Company classifies its fleet vehicle and equipment leases and its office equipment leases commencing on or after January 1, 2019 as financing leases. Information related to the Company's financing leases recorded on the Consolidated Balance Sheets is presented below:

	December 31, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
		(In thousands)			(In thousands)	
Financing leases:						
Non-utility property	$ 15,171	$ 16,181	$ 31,695	$ 11,453	$ 13,299	$ 25,055
Accumulated depreciation	(4,550)	(4,923)	(9,660)	(2,044)	(2,241)	(4,383)
Non-utility property, net	$ 10,621	$ 11,258	$ 22,035	$ 9,409	$ 11,058	$ 20,672
Other current liabilities	$ 2,731	$ 2,994	$ 5,813	$ 1,993	$ 2,397	$ 4,470
Other deferred credits	7,732	8,273	16,075	7,176	8,669	15,972

Information concerning the weighted average remaining lease terms and the weighted average discount rates used to determine the Company's lease liabilities is presented below:

	December 31, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
Weighted average remaining lease term (years):						
Operating leases	5.60	2.90	5.44	6.23	3.46	6.04
Financing leases	4.30	4.14	4.20	4.78	4.84	4.79
Weighted average discount rate:						
Operating leases	3.99 %	3.98 %	3.99 %	3.93 %	4.06 %	3.94 %
Financing leases	2.60 %	2.71 %	2.65 %	2.76 %	2.84 %	2.80 %

Information for the components of lease expense is as follows:

	Year Ended December 31, 2021		
	PNM	TNMP	PNMR Consolidated
		(In thousands)	
Operating lease cost	$ 26,690	$ 2,445	$ 29,270
Amounts capitalized	(836)	(2,115)	(2,951)
Total operating lease expense	25,854	330	26,319
Financing lease cost:			
Amortization of right-of-use assets	2,507	2,682	5,277
Interest on lease liabilities	263	307	574
Amounts capitalized	(1,726)	(2,678)	(4,404)
Total financing lease expense	1,044	311	1,447
Variable lease expense	380	—	380
Short-term lease expense [1]	2,972	6	3,035
Total lease expense for the period	$ 30,250	$ 647	$ 31,181

[1] Includes expense of $2.5 million for the twelve months ended December 31, 2021 for rental of temporary cooling towers associated with the SJGS Unit 1 outage. These amounts are partially offset with insurance reimbursements of $1.8 million for the twelve months ended December 31, 2021. For additional information on the SJGS Unit 1 outage see Note 17.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

	Year Ended December 31, 2020		
	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Operating lease cost	$ 27,302	$ 2,870	$ 30,418
Amounts capitalized	(1,020)	(2,375)	(3,395)
Total operating lease expense	26,282	495	27,023
Financing lease cost:			
Amortization of right-of-use assets	1,563	1,775	3,412
Interest on lease liabilities	221	285	511
Amounts capitalized	(1,056)	(1,754)	(2,810)
Total financing lease expense	728	306	1,113
Variable lease expense	221	—	221
Short-term lease expense	288	5	295
Total lease expense for the period	$ 27,519	$ 806	$ 28,652

Supplemental cash flow information related to the Company's leases is as follows:

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMI Consolid
	(In thousands)					
Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	$ 25,655	$ 323	$ 26,129	$ 26,007	$ 596	$ [illegible]
Operating cash flows from financing leases	90	34	128	82	48	[illegible]
Financing cash flows from financing leases	870	339	1,296	557	307	[illegible]
Non-cash information related to right-of-use assets obtained in exchange for lease obligations:						
Operating leases	$ —	$ 317	$ 317	$ —	$ —	$ [illegible]
Financing leases	3,792	3,126	6,958	6,588	8,985	[illegible]

Capitalized lease costs are reflected as investing activities on the Company's Consolidated Statements of Cash Flows for the twelve months ended December 31, 2021 and 2020.

Future expected lease payments are shown below:

	As of December 31, 2021					
	PNM		TNMP		PNMR Consolidated	
	Financing	Operating	Financing	Operating	Financing	Operating
	(In thousands)					
2022	$ 2,962	$ 26,266	$ 3,253	$ 1,888	$ 6,307	$ 28,365
2023	2,841	17,735	3,017	1,480	5,912	19,395
2024	2,159	7,908	2,546	1,030	4,719	8,987
2025	1,345	6,946	1,638	525	2,985	7,509
2026	1,022	6,880	834	449	1,857	7,367
Later years	724	20,640	613	—	1,336	20,823
Total minimum lease payments	11,053	86,375	11,901	5,372	23,116	92,446
Less: Imputed interest	590	8,545	634	335	1,228	9,235
Lease liabilities as of December 31, 2021	$ 10,463	$ 77,830	$ 11,267	$ 5,037	$ 21,888	$ 83,211

The above table includes $11.3 million, $14.5 million, and $25.8 million for PNM, TNMP, and PNMR at December 31, 2021 for expected future payments on fleet vehicle and equipment leases that could be avoided if the leased assets were returned and the lessor is able to recover estimated market value for the equipment from third parties. The Company's contractual commitments for leases that have not yet commenced are insignificant.

(9) Fair Value of Derivative and Other Financial Instruments

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk, including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Energy Related Derivative Contracts

Overview

The primary objective for the use of commodity derivative instruments, including energy contracts, options, swaps, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. PNM's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its customers. PNM is exposed to market risk for the needs of its customers not covered under the FPPAC.

In 2021, PNM entered into three agreements to purchase power from third parties at a fixed price in order to ensure that customer demand during the 2022 summer peak load period is met. Two of the agreements, the purchase of 85 MW from June through September 2022 and the purchase of 40 MW for the full year of 2022, are not considered derivatives because there are no notional amounts due to the unit-contingent nature of the agreements. The third agreement for the purchase of 150 MW firm power in June and September 2022 meets the definition of an economic hedge described below and has been accounted for accordingly.

Beginning January 1, 2018, PNM is exposed to market risk for its 65 MW interest in SJGS Unit 4, which is held as merchant plant as ordered by the NMPRC. PNM has entered into agreements to sell power from 36 MW of that capacity to a third party at a fixed price for the period January 1, 2018 through May 31, 2022, subject to certain conditions. Under these agreements, PNM is obligated to deliver 36 MW of power only when SJGS Unit 4 is operating. These agreements are not considered derivatives because there is no notional amount due to the unit-contingent nature of the transactions.

PNM and Tri-State have a hazard sharing agreement that expires in May 2022. Under this agreement, each party sells the other party 100 MW of capacity and energy from a designated generation resource on a unit contingent basis, subject to certain performance guarantees. Both the purchases and sales are made at the same market index price. This agreement serves to reduce the magnitude of each party's single largest generating hazard and assists in enhancing the reliability and efficiency of their respective operations. PNM passes the sales and purchases through to customers under PNM's FPPAC.

PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. TNMP does not enter into energy related derivative contracts.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations. PNM monitors the market risk of its commodity contracts in accordance with approved risk and credit policies.

Unusually cold weather in February 2021 resulted in higher-than-expected natural gas and purchased power costs. PNM mitigated the impacts from the cold weather by securing gas supplies in advance, engaging in market purchases when lower prices were available, and adjusting plant operation of its gas units to minimize reliance on higher-priced gas supplies. PNM estimates the impact of the cold weather conditions in the first quarter of 2021 resulted in approximately $20 million of additional natural gas costs and approximately $8 million in additional purchased power costs. These fuel increases are passed through to customers under the FPPAC.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, PNM accounts for its various instruments for the purchase and sale of energy, which meet the definition of a derivative, based on PNM's intent. During the years ended December 31, 2021, 2020, and 2019, PNM was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flow hedges. The derivative contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. PNM also uses economic hedges under an NMPRC approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. Changes in the fair value of instruments covered by its FPPAC are recorded as regulatory assets and liabilities. PNM has no trading transactions.

Commodity Derivatives

PNM's commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges and considered Level 2 fair value measurements, are presented in the following line items on the Consolidated Balance Sheets:

	Economic Hedges	
	December 31,	
	2021	2020
	(In thousands)	
Other current assets	$ 684	$ 1,096
Other deferred charges		455
	684	1,551
Other current liabilities	(2,275)	(1,096)
Other deferred credits		(455)
	(2,275)	(1,551)
Net	$ (1,591)	$ —

PNM's commodity derivative instruments in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. PNM does not offset fair value and cash collateral for derivative instruments under master netting arrangements and the above table reflects the gross amounts of fair value assets and liabilities for commodity derivatives. Included in the table above are equal amounts of current assets and current liabilities aggregating $0.5 million at December 31, 2021 and all $1.6 million at December 31, 2020 resulting from PNM's hazard sharing arrangements with Tri-State. The hazard sharing arrangements are net-settled upon delivery.

As discussed above, PNM has a NMPRC-approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes less than $0.2 million in current assets and $1.8 million of current liabilities related to this plan at December 31, 2021. There were no amounts hedged under this plan as of December 31, 2020.

At December 31, 2021 and 2020, PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at both December 31, 2021 and 2020, amounts posted as cash collateral under margin arrangements were $0.5 million, which is included in other current assets on the Consolidated Balance Sheets. At both December 31, 2021 and 2020, obligations to return cash collateral were $0.9 million. Cash collateral amounts are included on the Consolidated Balance Sheets in other current liabilities at December 31, 2021 and other deferred credits at December 31, 2020.

The effects of mark-to-market commodity derivative instruments on PNM's revenues and cost of energy during the years ended December 31, 2021 and 2020 were less than $0.1 million. Commodity derivatives had no impact on OCI for the periods presented.

PNM's net buy (sell) volume positions for energy were 122,400 MWh and zero MWh at December 31, 2021 and 2020. PNM had no open gas commodity volume positions at December 31, 2021 and 2020.

PNM has contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. In connection with managing its commodity risks, PNM enters into master agreements with certain counterparties. If PNM is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral if PNM's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that PNM will perform; and others have no provision for collateral. At December 31, 2021 and 2020, PNM had no such contracts in a net liability position.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Investment securities are carried at fair value. Investment securities consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS and trusts for PNM's share of final reclamation costs related to the coal mines serving SJGS and Four Corners. See Note 16. At December 31, 2021 and 2020, the fair value of investment securities included $394.5 million and $379.2 million for the NDT and $68.6 million and $60.9 million for the coal mine reclamation trusts.

PNM records a realized loss as an impairment for any available-for-sale debt security that has a fair value that is less than its carrying value. As a result, the Company has no available-for-sale debt securities for which carrying value exceeds fair value and there are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings. Gains and losses recognized on the Consolidated Statements of Earnings related to investment securities in the NDT and reclamation trusts are presented in the following table:

	Year ended December 31,		
	2021	2020	2019
	(In thousands)		
Equity securities:			
Net gains from equity securities sold	$ 8,738	$ 5,861	$ 5,698
Net gains (losses) from equity securities still held	(442)	17,707	18,319
Total net gains on equity securities	8,296	23,568	24,017
Available-for-sale debt securities:			
Net gains (losses) on debt securities	8,554	(1,969)	5,572
Net gains on investment securities	$ 16,850	$ 21,599	$ 29,589

The proceeds and gross realized gains and losses on the disposition of securities held in the NDT and coal mine reclamation trusts are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold. Gross realized losses shown below exclude the (increase)/decrease in realized impairment losses of $0.7 million, $(3.2) million, and $3.0 million for the years ended December 31, 2021, 2020 and 2019.

	Year Ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Proceeds from sales	$ 459,867	$ 590,998	$ 494,528
Gross realized gains	$ 39,408	$ 35,904	$ 25,760
Gross realized (losses)	$ (22,815)	$ (28,817)	$ (17,453)

At December 31, 2021, the available-for-sale debt securities held by PNM, had the following final maturities:

	Fair Value
	(In thousands)
Within 1 year	$ 29,680
After 1 year through 5 years	77,278
After 5 years through 10 years	93,302
After 10 years through 15 years	20,893
After 15 years through 20 years	12,933
After 20 years	39,120
	$ 273,206

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

For investment securities, Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For Level 2 fair values, the pricing provider predominantly uses the market approach using bid side market values based upon a hierarchy of information for specific securities or securities with similar characteristics. Fair values of Level 2 investments in mutual funds are equal to net asset value. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For the Company’s long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. The valuation of Level 3 investments, when applicable, requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The Company has no Level 3 investments as of December 31, 2021 and 2020.

Items recorded at fair value by PNM on the Consolidated Balance Sheets are presented below by level of the fair value hierarchy along with gross unrealized gains on investments in available-for-sale securities.

	Total	GAAP Fair Value Hierarchy: Quoted Prices in Active Markets for Identical Assets (Level 1)	GAAP Fair Value Hierarchy: Significant Other Observable Inputs (Level 2)	Unrealized Gains
	(In thousands)			
December 31, 2021				
Cash and cash equivalents	$ 7,895	$ 7,895	$ —	
Equity securities:				
Corporate stocks, common	97,626	97,626	—	
Corporate stocks, preferred	9,114	3,775	5,339	
Mutual funds and other	75,285	75,241	44	
Available-for-sale debt securities:				
U.S. government	43,128	13,204	29,924	$ 214
International government	16,001	—	16,001	1,508
Municipals	47,050	—	47,050	1,807
Corporate and other	167,027	—	167,027	12,212
	$ 463,126	$ 197,741	$ 265,385	$ 15,741
December 31, 2020				
Cash and cash equivalents	$ 6,107	$ 6,107	$ —	
Equity securities:				
Corporate stocks, common	85,271	85,271	—	
Corporate stocks, preferred	9,910	3,608	6,302	
Mutual funds and other	58,817	58,762	55	
Available-for-sale debt securities:				
U.S. government	55,839	29,579	26,260	$ 950
International government	16,032	—	16,032	2,537
Municipals	50,139	—	50,139	2,779
Corporate and other	158,000	3	157,997	21,121
	$ 440,115	$ 183,330	$ 256,785	$ 27,387

The carrying amounts and fair values of long-term debt, all of which are considered Level 2 fair value measurements and are not recorded at fair value on the Consolidated Balance Sheets are presented below:

	Carrying Amount	Fair Value
December 31, 2021	(In thousands)	
PNMR	$ 3,698,919	$ 3,915,010
PNM	$ 1,881,110	$ 1,975,987
TNMP	$ 918,050	$ 1,039,023
December 31, 2020		
PNMR	$ 3,295,150	$ 3,571,382
PNM	$ 1,696,620	$ 1,818,169
TNMP	$ 853,673	$ 1,006,722

The carrying amount and fair value of the Company’s other investments presented on the Consolidated Balance Sheets are not material and not shown in the above table.

Investments Held by Employee Benefit Plans

As discussed in Note 11, PNM and TNMP have trusts that hold investment assets for their pension and other postretirement benefit plans. The fair value of the assets held by the trusts impacts the determination of the funded status of each plan but the assets are not reflected on the Company's Consolidated Balance Sheets. Both the PNM Pension Plan and the TNMP Pension Plan hold units of participation in the PNM Resources, Inc. Master Trust (the "PNMR Master Trust"), which was established for the investment of assets of the pension plans. The PNM Pension Plan's investment allocation targets in 2021 consist of 35% equities, 15% alternative investments (both of which are considered return generating), and 50% fixed income. The TNMP Pension Plan's investment allocation targets in 2021 consist of 16% equities, 14% alternative investments (both of which are considered return generating), and 70% fixed income.

GAAP provides a practical expedient that allows the net asset value per share to be used as fair value for investments in certain entities that do not have readily determinable fair values and are considered to be investment companies. Fair values for alternative investments held by the PNMR Master Trust are valued using this practical expedient. Investments for which fair value is measured using that practical expedient are not required to be categorized within the fair value hierarchy. Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For level 2 fair values, the pricing provider predominately uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. Fair values of Level 2 investments in mutual funds are equal to net asset value as of year-end. Fair value prices for Level 2 corporate term loans predominately use the market approach which uses bid side market values based upon hierarchy information for specific securities or securities with similar characteristics. Alternative investments include private equity funds, hedge funds, and real estate funds. The private equity funds are not voluntarily redeemable. These investments are realized through periodic distributions occurring over a 10 to 15 years term after the initial investment. The real estate funds and hedge funds may be voluntarily redeemed but are subject to redemption provisions that may result in the funds not being redeemable in the near term. Audited financial statements are received for each fund and are reviewed by the Company annually.

The valuation of alternative investments requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The significant unobservable inputs include estimates of liquidation value, current operating performance, and future expectations of performance. Neither the employee benefit plans nor the PNMR Master Trust have any Level 3 investments as of December 31, 2021 or 2020.

The fair values of investments held by the employee benefit plans are as follows:

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2021		(In thousands)	
PNM Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	$ 527,873	$ 235,605	$ 292,268
Uncategorized investments	49,432		
Total Master Trust Investments	$ 577,305		
TNMP Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	$ 58,623	$ 21,390	$ 37,233
Uncategorized investments	3,962		
Total Master Trust Investments	$ 62,585		
PNM OPEB Plan			
Cash and cash equivalents	$ 1,578	$ 1,578	$ —
Equity securities:			
Mutual funds	94,549	58,383	36,166
	$ 96,127	$ 59,961	$ 36,166
TNMP OPEB Plan			
Cash and cash equivalents	$ 381	$ 381	$ —
Equity securities:			
Mutual funds	12,249	11,575	674
	$ 12,630	$ 11,956	$ 674

		GAAP Fair Value Hierarchy	
December 31, 2020	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
PNM Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	$ 498,907	$ 241,445	$ 257,462
Uncategorized investments	88,984		
Total Master Trust Investments	$ 587,891		
TNMP Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	$ 56,966	$ 28,732	$ 28,234
Uncategorized investments	9,230		
Total Master Trust Investments	$ 66,196		
PNM OPEB Plan			
Cash and cash equivalents	$ 1,310	$ 1,310	$ —
Equity securities:			
Mutual funds	92,400	52,284	40,116
	$ 93,710	$ 53,594	$ 40,116
TNMP OPEB Plan			
Cash and cash equivalents	$ 18	$ 18	$ —
Equity securities:			
Mutual funds	12,843	10,806	2,037
	$ 12,861	$ 10,824	$ 2,037

The fair values of investments in the PNMR Master Trust are as follows:

		GAAP Fair Value Hierarchy	
December 31, 2021	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(In thousands)	
PNMR Master Trust			
Cash and cash equivalents	$ 18,924	$ 18,924	$ —
Equity securities:			
Corporate stocks, common	92,484	92,484	—
Corporate stocks, preferred	806	—	806
Mutual funds and other	222,106	59,203	162,903
Fixed income securities:			
U.S. government	95,429	86,384	9,045
International government	5,977	—	5,977
Municipals	6,143	—	6,143
Corporate and other	144,627	—	144,627
Total investments categorized within fair value hierarchy	586,496	$ 256,995	$ 329,501
Uncategorized investments:			
Private equity funds	10,479		
Hedge funds	8,913		
Real estate funds	34,002		
	$ 639,890		

		GAAP Fair Value Hierarchy	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2020		(In thousands)	
PNMR Master Trust			
Cash and cash equivalents	$ 20,812	$ 20,812	$ —
Equity securities:			
Corporate stocks, common	114,983	114,983	—
Corporate stocks, preferred	1,187	135	1,052
Mutual funds and other	173,931	47,418	126,513
Fixed income securities:			
U.S. government	97,460	86,829	10,631
International government	6,202	—	6,202
Municipals	6,277	—	6,277
Corporate and other	135,021	—	135,021
Total investments categorized within fair value hierarchy	555,873	$ 270,177	$ 285,696
Uncategorized investments:			
Private equity funds	12,552		
Hedge funds	52,285		
Real estate funds	33,377		
	$ 654,087		

(10) Variable Interest Entities

How an enterprise evaluates and accounts for its involvement with variable interest entities, focuses primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity (“VIE”). This evaluation requires continual reassessment of the primary beneficiary of a VIE.

Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 155 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operation and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the years ended December 31, 2021, 2020, and 2019, PNM paid $19.8 million, $20.0 million, and $19.9 million for fixed charges and $1.9 million, $1.4 million, and $1.2 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy its obligations and creditors of Valencia do not have any recourse against PNM’s assets. During the term of the PPA, PNM has the option, under certain conditions, to purchase and own up to 50% of the plant or the VIE. The PPA specifies that the purchase price would be the greater of 50% of book value reduced by related indebtedness or 50% of fair market value.

PNM sources fuel for the plant, controls when the facility operates through its dispatch, and receives the entire output of the plant, which factors directly and significantly impact the economic performance of Valencia. Therefore, PNM has concluded that the third-party entity that owns Valencia is a VIE and that PNM is the primary beneficiary of the entity since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates Valencia in its financial statements. Accordingly, the assets, liabilities, operating expenses, and cash flows of Valencia are included in the Consolidated Financial Statements of PNM although PNM has no legal ownership interest or voting control of the VIE. The assets and liabilities of Valencia set forth below are immaterial to PNM and, therefore, not shown separately on the Consolidated Balance Sheets. The owner’s equity and net income of Valencia are considered attributable to non-controlling interest.

Summarized financial information for Valencia is as follows:

Results of Operations

	Year Ended December 31		
	2021	2020	2019
	(In thousands)		
Operating revenues	$ 21,624	$ 21,297	$ 21,073
Operating expenses	6,134	7,284	6,832
Earnings attributable to non-controlling interest	$ 15,490	$ 14,013	$ 14,241

Financial Position

	December 31,	
	2021	2020
	(In thousands)	
Current assets	$ 3,042	$ 3,911
Net property, plant and equipment	52,908	55,744
Total assets	55,950	59,655
Current liabilities	545	646
Owners' equity – non-controlling interest	$ 55,405	$ 59,009

Westmoreland San Juan Mining, LLC

As discussed in the subheading Coal Supply in Note 16, PNM purchases coal for SJGS under a coal supply agreement ("SJGS CSA"). That section includes information on the acquisition of SJCC by WSJ, a subsidiary of Westmoreland Coal Company ("Westmoreland"), as well as the announcement that it had filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. On March 15, 2019, Westmoreland emerged from Chapter 11 bankruptcy as a privately held company owned and operated by a group of its former creditors. Under the reorganization, the assets of SJCC were sold to Westmoreland San Juan Mining, LLC ("WSJ LLC"), a subsidiary of Westmoreland Mining Holdings, LLC. As successor entity to SJCC, WSJ LLC assumed all rights and obligations of WSJ including obligations to PNM under the SJGS CSA and to PNMR under letter of credit support agreements. See Note 16.

PNMR issued $30.3 million in letters of credit to facilitate the issuance of reclamation bonds required in order for SJCC to mine coal to be supplied to SJGS. As discussed above, WSJ LLC assumed the rights and obligations of SJCC, including obligations to PNMR for the letters of credit. The letters of credit support results in PNMR having a variable interest in WSJ LLC since PNMR is subject to possible loss in the event performance by PNMR is required under the letters of credit support. PNMR considers the possibility of loss under the letters of credit support to be remote since the purpose of posting the bonds is to provide assurance that WSJ LLC performs the required reclamation of the mine site in accordance with applicable regulations and all reclamation costs are reimbursable under the SJGS CSA. Also, much of the mine reclamation activities will not be performed until after the expiration of the SJGS CSA. In addition, each of the SJGS participants has established and actively fund trusts to meet future reclamation obligations.

WSJ LLC is considered a VIE. PNMR's analysis of its arrangements with WSJ LLC concluded that WSJ LLC has the ability to direct its mining operations, which is the factor that most significantly impacts the economic performance of WSJ LLC. Other than PNM being able to ensure that coal is supplied in adequate quantities and of sufficient quality to provide the fuel necessary to operate SJGS in a normal manner, the mining operations are solely under the control of WSJ LLC, including developing mining plans, hiring of personnel, and incurring operating and maintenance expenses. Neither PNMR nor PNM has any ability to direct or influence the mining operation. PNM's involvement through the SJGS CSA is a protective right rather than a participating right and WSJ LLC has the power to direct the activities that most significantly impact the economic performance of WSJ LLC. The SJGS CSA requires WSJ LLC to deliver coal required to fuel SJGS in exchange for payment of a set price per ton, which is escalated over time for inflation. If WSJ LLC is able to mine more efficiently than anticipated, its economic performance will be improved. Conversely, if WSJ LLC cannot mine as efficiently as anticipated, its economic performance will be negatively impacted. Accordingly, PNMR believes WSJ LLC is the primary beneficiary and, therefore, WSJ LLC is not consolidated by either PNMR or PNM. The amounts outstanding under the letters of credit support constitute PNMR's maximum exposure to loss from the VIE at December 31, 2021.

(11) Pension and Other Postretirement Benefits

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs (collectively, the "PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans. The periodic costs or income of the PNM Plans and TNMP Plans are included in regulated rates to the extent attributable to regulated operations. PNM and TNMP receive a regulated return on the amounts funded for pension and OPEB plans in excess of the periodic cost or income to the extent included in retail rates (a "prepaid pension asset").

Participants in the PNM Plans include eligible employees and retirees of PNMR and PNM. Participants in the TNMP Plans include eligible employees and retirees of TNMP. The PNM pension plan was frozen at the end of 1997 with regard to new participants, salary levels, and benefits. Through December 31, 2007, additional credited service could be accrued under the PNM pension plan up to a limit determined by age and service. The TNMP pension plan was frozen at December 31, 2005 with regard to new participants, salary levels, and benefits.

A plan sponsor is required to (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

Unrecognized prior service costs and unrecognized gains or losses are required to be recorded in AOCI and subsequently amortized. To the extent the amortization of these items will ultimately be recovered or returned through future rates, PNM and TNMP record the costs as a regulatory asset or regulatory liability. The amortization of these incurred costs is included as pension and postretirement benefit periodic cost or income in subsequent years.

The Company maintains trust funds for the pension and OPEB plans from which benefits are paid to eligible employees and retirees. The Company's funding policy is to make contributions to the trusts, as determined by an independent actuary, that comply with minimum guidelines of the Employee Retirement Income Security Act and the IRC. Information concerning the investments is contained in Note 9. The Company has in place a policy that defines the investment objectives, establishes performance goals of asset managers, and provides procedures for the manner in which investments are to be reviewed. The plans implement investment strategies to achieve the following objectives:

- Implement investment strategies commensurate with the risk that the Corporate Investment Committee deems appropriate to meet the obligations of the pension plans and OPEB plans, minimize the volatility of expense, and account for contingencies
- Transition asset mix over the long-term to a higher proportion of high-quality fixed income investments as the plans' funded statuses improve

Management is responsible for the determination of the asset target mix and the expected rate of return. The target asset allocations are determined based on consultations with external investment advisors. The expected long-term rate of return on pension and postretirement plan assets is calculated on the market-related value of assets. Actual gains and losses on pension and OPEB plan assets are recognized in the market-related value of assets equally over a period of not more than five years, which reduces year-to-year volatility. For the PNM Plans and TNMP Plans, the market-related value of assets is equal to the prior year's market-related value of assets adjusted for contributions, benefit payments and investment gains and losses that are within a corridor of plus or minus 4.0% around the expected return on market value. Gains and losses that are outside the corridor are amortized over five years.

Pension Plans

For defined benefit pension plans, including the executive retirement plans, the PBO represents the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to that date using assumptions regarding future compensation levels. The ABO represents the PBO without considering future compensation levels. Since the pension plans are frozen, the PBO and ABO are equal.

The following table presents information about the PBO, fair value of plan assets, and funded status of the plans:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(In thousands)			
PBO at beginning of year	$ 630,904	$ 605,745	$ 67,390	$ 65,574
Service cost	—	—	—	—
Interest cost	16,143	19,941	1,741	2,177
Actuarial (gain) loss	(19,372)	47,567	(3,306)	4,459
Benefits paid	(43,614)	(42,349)	(3,678)	(4,820)
Settlements	—	—	(2,538)	—
PBO at end of year	584,061	630,904	59,609	67,390
Fair value of plan assets at beginning of year	587,530	531,467	66,149	59,367
Actual return on plan assets	32,791	98,412	3,009	11,602
Employer contributions	—	—	—	—
Benefits paid	(43,614)	(42,349)	(3,678)	(4,820)
Settlements	—	—	(2,538)	—
Fair value of plan assets at end of year	576,707	587,530	62,942	66,149
Funded status – asset (liability) for pension benefits	$ (7,354)	$ (43,374)	$ 3,333	$ (1,241)

Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(in thousands)			
Discount rates	$ (19,989)	$ 44,960	$ (2,017)	$ 4,756
Demographic experience	617	2,607	(1,403)	(54)
Mortality rate	—	—	—	—
Other assumptions and experience	—	—	114	(243)
	$ (19,372)	$ 47,567	$ (3,306)	$ 4,459

The following table presents pre-tax information about net actuarial (gain) loss in AOCI as of December 31, 2021.

	PNM	TNMP
	(In thousands)	
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at beginning of year	$ 132,078	$ —
Experience (gain) loss	(23,632)	3,133
Regulatory asset (liability) adjustment	11,797	(3,133)
Amortization recognized in net periodic benefit (income)	(8,181)	—
Amounts in AOCI not yet recognized in net periodic benefit cost at end of year	$ 112,062	$ —

The following table presents the components of net periodic benefit cost (income):

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
PNM			
Service cost	$ —	$ —	$ —
Interest cost	16,143	19,941	25,175
Expected return on plan assets	(28,531)	(29,453)	(34,103)
Amortization of net loss	18,166	17,860	15,518
Amortization of prior service cost	—	(554)	(965)
Net periodic benefit cost	$ 5,778	$ 7,794	$ 5,625
TNMP			
Service cost	$ —	$ —	$ —
Interest cost	1,741	2,177	2,686
Expected return on plan assets	(3,181)	(3,284)	(3,868)
Amortization of net loss	1,247	1,258	941
Amortization of prior service cost	—	—	—
Settlement loss	746	—	—
Net periodic benefit cost (income)	$ 553	$ 151	$ (241)

The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost (income). Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost (income) would be affected.

	Year Ended December 31,		
PNM	2021	2020	2019
Discount rate for determining December 31 PBO	3.00 %	2.66 %	3.42 %
Discount rate for determining net periodic benefit cost (income)	2.66 %	3.42 %	4.65 %
Expected return on plan assets	5.50 %	5.90 %	6.86 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	3.01 %	2.69 %	3.46 %
Discount rate for determining net periodic benefit cost (income)	2.69 %	3.46 %	4.63 %
Expected return on plan assets	5.50 %	5.90 %	6.90 %
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the PBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates) and current and target asset allocations between asset categories. If all other factors were to remain unchanged, a 1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2022 net periodic benefit cost to increase $5.2 million and $0.6 million (analogous changes would result from a 1% increase). The actual rate of return for the PNM and TNMP pension plans was 5.80% and 4.68% for the year ended December 31, 2021.

The Company's long-term pension investment strategy is to invest in assets whose interest rate sensitivity is correlated with the pension liability. The Company uses an investment strategy, known as Liability Driven Investing, that increases the liability matching investments as the funded status of the pension plans improve. The Company's investment allocation targets consist of 35% equities, 15% alternative investments (both of which are considered return generating), and 50% liability matching securities that are primarily bonds and other fixed income investments. Equity investments are primarily in domestic securities that include large-, mid-, and small-capitalization companies. The pension plans have a 13% targeted allocation to equities of companies domiciled primarily in developed countries outside of the U.S. The equity investments category includes actively managed domestic equity securities that are benchmarked against a variety of style indices. Fixed income investments are primarily corporate bonds of companies from diversified industries and government securities. Alternative investments include investments in hedge funds, real estate funds, and private equity funds. The hedge funds and private equity funds are structured as multi-manager multi-strategy fund of funds to achieve a diversified position in these asset classes. The hedge funds pursue various absolute return strategies such as relative value, long-short equity, and event driven. Private equity fund strategies include mezzanine financing, buy-outs, and venture capital. The real estate investments are commingled real estate portfolios that invest in a diversified portfolio of assets including commercial property and multi-family housing. See Note 9 for fair value information concerning assets held by the pension plans.

The following pension benefit payments are expected to be paid:

	PNM	TNMP
	(In thousands)	
2022	$ 45,957	$ 4,928
2023	44,632	4,689
2024	43,427	4,459
2025	42,158	4,386
2026	40,424	4,260
2027 - 2031	183,548	18,130

Based on current law, funding requirements, and estimates of portfolio performance, the Company does not expect to make any cash contributions to the pension plans in 2022. PNM and TNMP do not expect to make any cash contributions in 2023 through 2026. The funding assumptions were developed using discount a rate of 2.9%. Actual amounts to be funded in the future will be dependent on the actuarial assumptions at that time, including the appropriate discount rates. PNM and TNMP may make additional contributions at their discretion.

Other Postretirement Benefit Plans

For postretirement benefit plans, the APBO is the actuarial present value of all future benefits attributed under the terms of the postretirement benefit plan to employee service rendered to date.

The following table presents information about the APBO, the fair value of plan assets, and the funded status of the plans:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(In thousands)			
APBO at beginning of year	$ 75,196	$ 75,121	$ 11,938	$ 11,235
Service cost	23	38	45	46
Interest cost	1,907	2,453	308	373
Participant contributions	1,617	1,714	135	243
Actuarial (gain) loss	(5,053)	3,261	(1,141)	747
Benefits paid	(6,706)	(7,391)	(715)	(706)
APBO at end of year	66,984	75,196	10,570	11,938
Fair value of plan assets at beginning of year	93,402	86,400	12,885	10,844
Actual return on plan assets	4,783	9,423	288	2,505
Employer contributions	2,709	3,256	—	—
Participant contributions	1,617	1,714	135	243
Benefits paid	(6,706)	(7,391)	(715)	(707)
Fair value of plan assets at end of year	95,805	93,402	12,593	12,885
Funded status – asset	$ 28,821	$ 18,206	$ 2,023	$ 947

As of December 31, 2021, the fair value of plan assets exceeds the APBO for both PNM’s and TNMP’s OPEB Plans and the resulting net asset is presented in other deferred charges on the Consolidated Balance Sheets.

Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(in thousands)			
Discount rates	$ (2,042)	$ 4,959	$ (423)	$ 1,008
Claims, contributions, and demographic experience	(2,893)	(1,698)	(718)	(261)
Assumed participation rate	—	—	—	—
Mortality rate	—	—	—	—
Dental trend assumption	(118)	—	—	—
	$ (5,053)	$ 3,261	$ (1,141)	$ 747

In the year ended December 31, 2021, actuarial gains of $5.7 million were recorded as adjustments to regulatory assets for the PNM OPEB plan. For the TNMP OPEB plan, actuarial gains of $1.0 million were recorded as adjustments to regulatory liabilities.

The following table presents the components of net periodic benefit cost (income):

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
PNM			
Service cost	$ 23	$ 38	$ 53
Interest cost	1,907	2,453	3,316
Expected return on plan assets	(4,167)	(5,548)	(5,278)
Amortization of net loss	—	348	675
Amortization of prior service credit	—	—	(397)
Net periodic benefit (income)	$ (2,237)	$ (2,709)	$ (1,631)
TNMP			
Service cost	$ 45	$ 46	$ 50
Interest cost	308	373	451
Expected return on plan assets	(407)	(538)	(517)
Amortization of net (gain)	(322)	(323)	(444)
Amortization of prior service cost	—	—	—
Net periodic benefit (income)	$ (376)	$ (442)	$ (460)

The following significant weighted-average assumptions were used to determine the APBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the APBO and net periodic benefit cost would be affected.

	Year Ended December 31,		
PNM	2021	2020	2019
Discount rate for determining December 31 APBO	2.99 %	2.65 %	3.42 %
Discount rate for determining net periodic benefit cost	2.65 %	3.42 %	4.63 %
Expected return on plan assets	4.75 %	7.00 %	7.20 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 APBO	2.99 %	2.65 %	3.42 %
Discount rate for determining net periodic benefit cost	2.65 %	3.42 %	4.63 %
Expected return on plan assets	3.80 %	5.60 %	5.80 %
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the APBO was determined based on a review of long-term high-grade bonds and management’s expectations. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the APBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates), and current and target asset allocations between asset categories. If all other factors were to remain unchanged, a

1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2022 net periodic benefit cost to increase $0.9 million and $0.1 million (analogous changes would result from a 1% increase). The actual rate of return for the PNM and TNMP OPEB plans was 5.2% and 2.3% for the year ended December 31, 2021.

The following table shows the assumed health care cost trend rates for the PNM OPEB plan:

	PNM	
	December 31,	
	2021	2020
Health care cost trend rate assumed for next year	6.00 %	6.25 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.75 %	5.00 %
Year that the rate reaches the ultimate trend rate	2027	2026

TNMP's exposure to cost increases in the OPEB plan is minimized by a provision that limits TNMP's share of costs under the plan. Costs of the plan in excess of the limit, which was reached at the end of 2001, are wholly borne by the participants. As a result, a one-percentage-point change in assumed health care cost trend rates would have no effect on either the net periodic expense or the year-end APBO. Effective January 1, 2018, the PNM OPEB plan was amended to limit the annual increase in the Company's costs to 5%. Increases in excess of the limit are born by the PNM OPEB plan participants.

The Company's OPEB plans invest in a portfolio that is diversified by asset class and style strategies. The OPEB plans generally use the same pension fixed income and equity investment managers and utilize the same overall investment strategy as described above for the pension plans, except there is no allocation to alternative investments. The OPEB plans have a target asset allocation of 30% equities and 70% fixed income. See Note 9 for fair value information concerning assets held by the other postretirement benefit plans.

The following OPEB payments, which reflect expected future service and are net of participant contributions, are expected to be paid:

	PNM	TNMP
	(In thousands)	
2022	$ 5,924	$ 613
2023	5,772	638
2024	5,577	657
2025	5,229	661
2026	5,006	669
2027 - 2031	20,815	3,113

PNM and TNMP made no cash contributions to the OPEB trusts in 2021 or 2020 and PNM and TNMP do not expect to make cash contributions to the OPEB trusts in 2022-2026. However, a portion of the disbursements attributable to the OPEB trust are paid by PNM and are therefore considered to be contributions to the PNM OPEB plan. Payments by PNM on behalf of the PNM OPEB plan are expected to be $3.2 million in 2022 and $11.9 million in 2023-2026.

Executive Retirement Programs

For the executive retirement programs, the following table presents information about the PBO and funded status of the plans:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(In thousands)			
PBO at beginning of year	$ 14,222	$ 14,994	$ 678	$ 692
Service cost	—	—	—	—
Interest cost	363	491	17	22
Actuarial (gain) loss	(657)	78	(211)	58
Benefits paid	(1,316)	(1,341)	(78)	(94)
PBO at end of year – funded status	12,612	14,222	406	678
Less current liability	1,248	1,323	67	91
Non-current liability	$ 11,364	$ 12,899	$ 339	$ 587

The following table presents pre-tax information about net actuarial loss in AOCI as of December 31, 2021.

	December 31, 2021	
	PNM	TNMP
	(In thousands)	
Amount in AOCI not yet recognized in net periodic benefit cost at beginning of year	$ 2,259	$ —
Experience (gain)	(657)	(211)
Regulatory asset adjustment	381	211
Amortization recognized in net periodic benefit (income)	(167)	—
Amount in AOCI not yet recognized in net periodic benefit cost at end of year	$ 1,816	$ —

The following table presents the components of net periodic benefit cost:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
PNM			
Service cost	$ —	$ —	$ —
Interest cost	363	491	651
Amortization of net loss	395	403	318
Amortization of prior service cost	—	—	—
Net periodic benefit cost	$ 758	$ 894	$ 969
TNMP			
Service cost	$ —	$ —	$ —
Interest cost	17	22	30
Amortization of net loss	33	24	15
Amortization of prior service cost	—	—	—
Net periodic benefit cost	$ 50	$ 46	$ 45

The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost would be affected.

	Year Ended December 31,		
PNM	2021	2020	2019
Discount rate for determining December 31 PBO	3.02 %	2.68 %	3.44 %
Discount rate for determining net periodic benefit cost	2.68 %	3.44 %	4.66 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	3.01 %	2.69 %	3.46 %
Discount rate for determining net periodic benefit cost	2.69 %	3.46 %	4.63 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. The impacts of changes in assumptions or experience were not significant.

Disbursements under the executive retirement program, funded by PNM and TNMP, which are considered to be contributions to the plan were $1.3 million and $0.1 million in the year ended December 31, 2021 and $1.4 million and $0.1 million for the year ended December 31, 2020. The following executive retirement plan payments, which reflect expected future service, are expected:

	PNM	TNMP
	(In thousands)	
2022	$ 1,267	$ 68
2023	1,228	62
2024	1,183	56
2025	1,133	50
2026	1,077	44
2027 - 2031	4,455	135

Other Retirement Plans

PNMR sponsors a 401(k) defined contribution plan for eligible employees, including those of its subsidiaries. PNMR's contributions to the 401(k) plan consist of a discretionary matching contribution equal to 75% of the first 6% of eligible compensation contributed by the employee on a before-tax basis. PNMR also makes a non-matching contribution ranging from 3% to 10% of eligible compensation based on the eligible employee's age. PNMR also provides executive deferred compensation benefits through an unfunded, non-qualified plan. The purpose of this plan is to permit certain key employees of PNMR who participate in the 401(k) defined contribution plan to defer compensation and receive credits without reference to the certain limitations on contributions.

A summary of expenses for these other retirement plans is as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
PNMR			
401(k) plan	$ 16,648	$ 16,247	$ 16,097
Non-qualified plan	$ 3,594	$ 2,090	$ 4,551
PNM			
401(k) plan	$ 11,826	$ 11,676	$ 11,587
Non-qualified plan	$ 2,622	$ 1,544	$ 3,384
TNMP			
401(k) plan	$ 4,823	$ 4,572	$ 4,511
Non-qualified plan	$ 972	$ 547	$ 1,167

(12) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). Although certain PNM and TNMP employees participate in the PNMR plans, PNM and TNMP do not have separate employee stock-based compensation plans. The Company has not awarded stock options since 2010 and all employee stock options expired or were exercised in February 2020. Certain restricted stock awards are subject to achieving performance or market targets. Other awards of restricted stock are only subject to time vesting requirements.

Performance Equity Plan

The PEP provides for the granting of non-qualified stock options, restricted stock rights, performance shares, performance units, and stock appreciation rights to officers, key employees, and non-employee members of the Board. Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in certain stock awards. The vesting period for awards of restricted stock to non-employee members of the Board is one year. The total number of shares of PNMR common stock subject to all awards under the PEP, as approved by PNMR's shareholders in May 2014, may not exceed 13.5 million shares, subject to adjustment and certain share counting rules set forth in the PEP. This current share pool is charged five shares for each share subject to restricted stock or other full value award.

Source of Shares

The source of shares for exercised stock options and vested restricted stock is shares acquired on the open market by an independent agent, rather than newly issued shares.

Accounting for Stock Awards

The stock-based compensation expense related to restricted stock awards without performance or market conditions to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for other such awards is amortized to compensation expense over the shorter of the requisite vesting period or the period until the participant becomes retirement eligible. Compensation expense for performance-based shares is recognized ratably over the performance period as required service is provided and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements.

Total compensation expense for stock-based payment arrangements recognized by PNMR for the years ended December 31, 2021, 2020, and 2019 was $9.4 million, $8.1 million, and $6.4 million. Stock compensation expense of $6.4 million, $5.5 million, and $4.2 million was charged to PNM and $3.0 million, $2.6 million, and $2.2 million was charged to TNMP. At December 31, 2021, PNMR had unrecognized compensation expense related to stock awards of $4.4 million, which is expected to be recognized over an average of 1.50 years.

PNMR receives a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the options are sold over the exercise prices of the options, and a tax deduction for the value of restricted stock at the vesting date. All excess tax benefits and deficiencies are recorded to tax expense and classified as operating cash flows when used to reduce taxes payable.

Excess Tax Benefits	Year Ended December 31, 2021	2020	2019
	(In thousands)		
PNM	$ 564	$ 279	$ 559
TNMP	224	112	236
PNMR	788	391	795

TNMP used excess tax benefits to reduce income taxes payable and the benefit was reflected in cash flows from operating activities. The benefit of excess tax benefits at PNM and PNMR will be reflected in operating cash flows when they reduce income taxes payable.

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

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

Restricted Shares and Performance-Based Shares	Year Ended December 31, 2021	2020	2019
Expected quarterly dividends per share	$ 0.3275	$ 0.3075	$ 0.2900
Risk-free interest rate	0.32 %	0.72 %	2.47 %
Market-Based Shares			
Dividend yield	2.76 %	2.51 %	2.59 %
Expected volatility	33.69 %	19.41 %	19.55 %
Risk-free interest rate	0.29 %	0.72 %	2.51 %

The following table summarizes activity in restricted stock awards including performance-based and market-based shares:

	Restricted Stock	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2020	168,061	$ 40.77
Granted	213,515	43.48
Released	(211,587)	40.73
Forfeited	(2,719)	43.81
Outstanding at December 31, 2021	167,270	$ 43.71

PNMR's current stock-based compensation program provides for performance and market targets through 2023. Included as granted and released in the table above are 124,941 previously awarded shares that were earned for the 2018 - 2020 performance measurement period and ratified by the Board in February 2021 (based upon achieving market targets at below "maximum" levels). Excluded from the above table are 92,343 previously awarded shares that were earned for the 2019 - 2021 performance measurement period and ratified by the Board in February 2022 (based upon achieving market targets at above "target", below "maximum" levels). Also excluded from the table above are 142,047 and 152,414 shares for the three-year performance periods ending in 2022 and 2023 that will be awarded if all performance and market criteria are achieved at maximum levels and all executives remain eligible.

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

	Year Ended December 31,		
Restricted Stock	2021	2020	2019
Weighted-average grant date fair value	$ 43.48	$ 36.73	$ 37.92
Total fair value of restricted shares that vested (in thousands)	$ 8,617	$ 8,299	$ 6,246
Stock Options			
Total intrinsic value of options exercised (in thousands)	$ —	$ 84	$ 2,617

At December 31, 2019, the aggregate intrinsic value of stock options outstanding, all of which were exercisable, was less than $0.1 million. All the outstanding options were exercised or expired in February 2020.

(13) Regulatory Assets and Liabilities

The operations of PNM and TNMP are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to its regulated operations. Regulatory assets represent probable future recovery of previously incurred costs that will be collected from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process.

Regulatory assets and liabilities reflected in the Consolidated Balance Sheets are presented below.

	PNM		TNMP	
	December 31,		December 31,	
	2021	2020	2021	2020
Assets:	(In thousands)			
Current:				
FPPAC	$ 7,130	$ —	$ —	$ —
Transmission cost recovery factor	—	—	3,906	—
Energy efficiency costs	—	—	2,158	202
Other	1,591	—	—	—
	8,721	—	6,064	202

	PNM		TNMP	
	December 31,		December 31,	
	2021	2020	2021	2020
Assets (Continued):	(In thousands)			
Non-Current:				
Coal mine reclamation costs[1]	$ 9,942	$ 9,980	$ —	$ —
Deferred income taxes	68,687	65,564	9,505	9,817
Loss on reacquired debt	17,249	19,748	27,615	28,914
Pension and OPEB[2]	165,006	190,147	17,924	22,863
Shutdown of SJGS Units 2 and 3	100,954	107,231	—	—
AMS surcharge	—	—	12,507	18,761
AMS retirement and other costs	—	—	12,286	13,915
Deferred cost under the ETA	42,656	42,703	—	—
Deferred COVID-19 costs	6,896	8,761	—	676
SJGS replacement resources	8,269	8,282	—	—
EIM	7,028	2,209	—	—
Other	2,294	3,328	5,440	4,891
	428,981	457,953	85,277	99,837
Total regulatory assets	$ 437,702	$ 457,953	$ 91,341	$ 100,039
Liabilities:				
Current:				
FPPAC	$ —	$ (2,274)	$ —	$ —
Renewable energy rider	(5,989)	(2,044)	—	—
Energy efficiency costs	(2,327)	(1,101)	—	—
Transmission cost recovery factor	—	—	—	(2,052)
	(8,316)	(5,419)	—	(2,052)
Non-Current:				
Cost of removal	(294,193)	(284,695)	(73,029)	(59,613)
Deferred income taxes	(321,976)	(343,844)	(107,250)	(119,695)
PVNGS ARO	(1,215)	(5,394)	—	—
Renewable energy tax benefits	(16,756)	(17,912)	—	—
Accelerated depreciation SNCRs[3]	(16,331)	(12,045)	—	—
Pension and OPEB	(2,376)	—	(6,099)	(5,535)
COVID-19 cost savings	(900)	(900)	—	—
Other	(83)	(83)	(1,185)	(512)
	(653,830)	(664,873)	(187,563)	(185,355)
Total regulatory liabilities	$ (662,146)	$ (670,292)	$ (187,563)	$ (187,407)

(1) Includes $9.3 million in coal mine reclamation costs related to PNM's planned retirement of SJGS in 2022 and recoverable under the ETA as described in Note 16
(2) Includes $2.2 million for certain PNM pension costs as described in Note 11
(3) Amounts to be included under the ETA

The Company's regulatory assets and regulatory liabilities are reflected in rates charged to customers or have been addressed in a regulatory proceeding. The Company does not receive or pay a rate of return on the following regulatory assets and regulatory liabilities (and their remaining amortization periods): coal mine reclamation costs (through 2020); deferred income taxes (over the remaining life of the taxable item, up to the remaining life of utility plant); pension and OPEB costs (through 2033); PVNGS ARO (to be determined in a future regulatory proceeding); costs recoverable under the ETA (over the securitization period); deferred COVID-19 costs (to be determined in a future regulatory proceeding); and SJGS replacement resources (to be determined in a future regulatory proceeding).

The Company is permitted, under rate regulation, to accrue and record a regulatory liability for the estimated cost of removal and salvage associated with certain of its assets through depreciation expense. Actuarial losses and prior service costs for pension plans are required to be recorded in AOCI; however, to the extent authorized for recovery through the regulatory process these amounts are recorded as regulatory assets or liabilities. Based on prior regulatory approvals, the amortization of these amounts will be included in the Company's rates. Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, the Company believes that future recovery of its regulatory assets is probable.

(14) Construction Program and Jointly-Owned Electric Generating Plants

PNM is a participant in several jointly-owned power plant projects. The participation agreement for SJGS, was set to expire on June 30, 2022, but was extended, subject to FERC's acceptance of the extension, through September 30, 2022. See Note 17. The primary operating or participation agreements for the other joint projects expire in July 2041 for Four Corners, December 2046 for Luna, and November 2047 for PVNGS.

PNM's expenditures for additions to utility plant were $602.2 million in 2021, including expenditures on jointly-owned projects. TNMP does not participate in the ownership or operation of any generating plants, but incurred expenditures for additions to utility plant of $311.9 million during 2021. On a consolidated basis, PNMR's expenditures for additions to utility plant were $935.0 million in 2021.

Joint Projects

Under the agreements for the jointly-owned projects, PNM has an undivided interest in each asset and liability of the project and records its pro-rata share of each item in the corresponding asset and liability account on PNM's Consolidated Balance Sheets. Likewise, PNM records its pro-rata share of each item of operating and maintenance expenses for its jointly-owned plants within the corresponding operating expense account in its Consolidated Statements of Earnings. PNM is responsible for financing its share of the capital and operating costs of the joint projects.

At December 31, 2021, PNM's interests and investments in jointly-owned generating facilities are:

Station (Fuel Type)	Plant in Service	Accumulated Depreciation[1]	Construction Work in Progress	Composite Interest
	(In thousands)			
SJGS (Coal)	$ 815,361	$ 455,159	$ 10	66.35 %
PVNGS (Nuclear) [2]	$ 869,363	$ 403,764	$ 38,770	10.20 %
Four Corners Units 4 and 5 (Coal)	$ 316,033	$ 100,156	$ 6,294	13.00 %
Luna (Gas)	$ 80,159	$ 31,244	$ 46	33.33 %

[1] Includes cost of removal.
[2] Includes interest in PVNGS Unit 3, interest in common facilities for all PVNGS units, and owned interests in PVNGS Units 1 and 2, including improvements.

San Juan Generating Station

PNM operates and jointly owns SJGS. Effective January 1, 2018, SJGS Unit 1 is owned 50% by PNM and 50% by Tucson and SJGS Unit 4 is owned 77.297% by PNM, including a 12.8% interest held as merchant plant, 8.475% by Farmington, 7.2% by Los Alamos, and 7.028% by UAMPS. See Notes 16 and 17 for additional information about SJGS, including the shutdown of SJGS Units 2 and 3 in December 2017 and the restructuring of SJGS ownership as well as information on PNM's SJGS Abandonment Application.

Palo Verde Nuclear Generating Station

PNM is a participant in the three units of PVNGS with APS (the operating agent), SRP, EPE, SCE, SCPPA, and The Department of Water and Power of the City of Los Angeles. PNM has a 10.2% undivided interest in PVNGS, with portions of its interests in Units 1 and 2 held under leases. See Note 8 for additional information concerning the PVNGS leases, including PNM's purchase of the assets underlying certain of the leases in January 2016, PNM's option to purchase or return certain lease interests that have been extended through 2023 and 2024, and Note 17 for the outcome of PNM's appeal to the NM Supreme Court regarding the NMPRC's treatment of those purchases and lease extensions in the NM 2015 Rate Case.

Operation of each of the three PVNGS units requires an operating license from the NRC. The NRC issued full power operating licenses for Unit 1 in June 1985, Unit 2 in April 1986, and Unit 3 in November 1987. The full power operating licenses were originally for a period of 40 years and authorize APS, as operating agent for PVNGS, to operate the three PVNGS units. In April 2011, the NRC approved extensions in the operating licenses for the plants for 20 years through June 2045 for Unit 1, April 2046 for Unit 2, and November 2047 for Unit 3.

Four Corners Power Plant

PNM is a participant in two units of Four Corners with APS (the operating agent), an affiliate of APS, SRP, and Tucson. PNM has a 13.0% undivided interest in Units 4 and 5 of Four Corners. The Four Corners plant site is located on land within the Navajo Nation and is subject to an easement from the federal government. APS, on behalf of the Four Corners participants, negotiated amendments to an existing agreement with the Navajo Nation, which extends the owners' right to operate the plant on the site to July 2041. See Note 16 and 17 for additional information about Four Corners.

Luna Energy Facility

Luna is a combined-cycle power plant near Deming, New Mexico. Luna is owned equally by PNM, Tucson, and Samchully Power & Utilities 1, LLC. The operation and maintenance of the facility has been contracted to North American Energy Services.

(15) Asset Retirement Obligations

AROs are recorded based on studies to estimate the amount and timing of future ARO expenditures and reflect underlying assumptions, such as discount rates, estimates of the future costs for decommissioning, and the timing of the removal activities to be performed. Approximately 62% of PNM's total ARO liabilities are related to nuclear decommissioning of PVNGS. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under lease both during and after termination of the leases. Studies of the decommissioning costs of PVNGS, SJGS, Four Corners, and other facilities are performed periodically and revisions to the ARO liabilities are recorded. Changes in the assumptions underlying the calculations may also require revisions to the estimated AROs when identified. A reconciliation of the ARO liabilities is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
Liability at December 31, 2018	$ 158,674	$ 157,814	$ 860
Liabilities incurred	—	—	—
Liabilities settled	(987)	(935)	(52)
Accretion expense	12,635	12,562	73
Revisions to estimated cash flows	11,640	11,640	—
Liability at December 31, 2019	181,962	181,081	881
Liabilities incurred	—	—	—
Liabilities settled	(1,444)	(1,192)	(252)
Accretion expense	11,310	11,236	74
Revisions to estimated cash flows[(1)]	(8,407)	(8,407)	—
Liability at December 31, 2020	183,421	182,718	703
Liabilities incurred	1,781	1,781	—
Liabilities settled	(142)	(142)	—
Accretion expense	9,308	9,248	60
Revisions to estimated cash flows[(2)]	39,778	39,778	—
Liability at December 31, 2021	$ 234,146	$ 233,383	$ 763

(1) Reflects a decrease of $9.2 million related to an updated PVNGS decommissioning study and an increase of $0.8 million related to an updated Four Corners decommissioning study.
(2) Reflects impacts of newly approved remediation ordinance in San Juan county requiring the full demolition of SJGS. See Note 16.

(16) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. In addition, the Company is subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company periodically enters into financial commitments in connection with its business operations. Also, the Company is involved in various legal and regulatory proceedings in the normal course of its business. See Note 17. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. The Company assesses legal and regulatory matters based on current information and makes judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of any damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, or other legal proceeding is inherently uncertain. The Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. Except as otherwise disclosed, the Company does not expect that any known lawsuits, environmental costs, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

Commitments and Contingencies Related to the Environment

PVNGS Decommissioning Funding

The costs of decommissioning a nuclear power plant are substantial. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under lease both during and after termination of the leases. PNM has a program for funding its share of decommissioning costs for PVNGS, including portions held under leases. The nuclear decommissioning funding program is invested in equities and fixed income instruments in qualified and non-qualified trusts. PNM funded $1.3 million for each of the years ended December 31, 2021, 2020 and 2019 into the qualified trust funds. The market value of the trusts at December 31, 2021 and 2020 was $394.5 million and $379.2 million. See Note 17 for additional discussion of the NM Supreme Court’s decisions in PNM’s appeal of the NMPRC’s decisions in the NM 2015 Rate Case and discussion in PNM’s PVNGS Lease Abandonment Application.

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance of these requirements. In November 1997, the DC Circuit issued a decision preventing the DOE from excusing its own delay but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE’s delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The lawsuits filed by APS alleged that damages were incurred due to DOE’s continuing failure to remove spent nuclear fuel and high-level waste from PVNGS. In August 2014, APS and the DOE entered into a settlement agreement that establishes a process for the payment of claims for costs incurred through December 31, 2019. In July 2020, APS accepted the DOE’s extension of the settlement agreement for recovery of costs incurred through December 31, 2022. Under the settlement agreement, APS must submit claims annually for payment of allowable costs. PNM records estimated claims on a quarterly basis. The benefit from the claims is passed through to customers under the FPPAC to the extent applicable to NMPRC regulated operations.

PNM estimates that it will incur approximately $59.6 million (in 2019 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the nuclear fuel is consumed. At December 31, 2021 and 2020, PNM had a liability for interim storage costs of $13.0 million and $12.8 million, which is included in other deferred credits.

PVNGS has sufficient capacity at its on-site Independent Spent Fuel Storage Installation (“ISFSI”) to store all of the nuclear fuel that will be irradiated during the initial operating license period, which ends in December 2027. Additionally, PVNGS has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the period of extended operation, which ends in November 2047. If uncertainties regarding the U.S. government’s obligation to accept and store spent fuel are not favorably resolved, APS will evaluate alternative storage solutions that may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the period of extended operation.

The Energy Transition Act

In 2019, the Governor signed into New Mexico state law Senate Bill 489, known as the Energy Transition Act (“ETA”). The ETA became effective as of June 14, 2019 and sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources. The ETA amends the REA and requires utilities operating in New Mexico to have renewable portfolios equal to 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also amends sections of the REA to allow for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to review and approve utilities' annual renewable portfolio plans to ensure compliance with the RPS. The ETA also directs the New Mexico Environmental Improvement Board to adopt standards of performance that limit CO_2 emissions to no more than 1,100 lbs per MWh beginning January 1, 2023 for new or existing coal-fired EGUs with original installed capacities exceeding 300 MW.

The ETA provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023, for facilities operated by a "qualifying utility," or prior to January 1, 2032 for facilities that are not operated by a qualifying utility. The amount of energy transition bonds that can be issued to recover abandonment costs is limited to the lesser of $375.0 million or 150% of the undepreciated investment of the facility as of the abandonment date. Proceeds provided by energy transition bonds must be used only for purposes related to providing utility service to customers and to pay energy transition costs (as defined by the ETA). These costs may include plant decommissioning and coal mine reclamation costs, provided those costs have not previously been recovered from customers or disallowed by the NMPRC or by a court order. Proceeds from energy transition bonds may also be used to fund severances for employees of the retired facility and related coal mine and to promote economic development, education and job training in areas impacted by the retirement of the coal-fired facilities. Energy transition bonds must be issued under a NMPRC approved financing order, are secured by "energy transition property," are non-recourse to the issuing utility, and repaid by a non-bypassable charge paid by all customers of the issuing utility. These customer charges are subject to an adjustment mechanism designed to provide for timely and complete payment of principal and interest due under the energy transition bonds.

The ETA also provides that utilities must obtain NMPRC approval of competitively procured replacement resources that shall be evaluated based on their cost, economic development opportunity, ability to provide jobs with comparable pay and benefits to those lost upon retirement of the facility and that do not exceed emissions thresholds specified in the ETA. In determining whether to approve replacement resources, the NMPRC must give preference to resources with the least environmental impacts, those with higher ratios of capital costs to fuel costs, and those located in the school district of the abandoned facility. The ETA also provides for the procurement of energy storage facilities and gives utilities discretion to maintain, control, and operate these systems to ensure reliable and efficient service.

The ETA will have a significant impact on PNM's future generation portfolio, including PNM's planned retirement of SJGS in 2022 and the planned Four Corners exit in 2024. PNM cannot predict the full impact of the ETA or the outcome of its pending and potential future generating resource abandonment and replacement resource filings with the NMPRC. See additional discussion in Note 17 of PNM's SJGS and Four Corners Abandonment Applications.

The Clean Air Act
Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress by adopting a new SIP every ten years. In the first SIP planning period, states were required to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it was demonstrated that the emissions from these sources caused or contributed to visibility impairment in any Class I area, BART must have been installed by the beginning of 2018. For all future SIP planning periods, states must evaluate whether additional emissions reduction measures may be needed to continue making reasonable progress toward natural visibility conditions.

In 2017, EPA published revisions to the regional haze rule in the Federal Register. The new rule delayed the due date for the next cycle of SIPs from 2019 to 2021, altered the planning process that states must employ in determining whether to impose "reasonable progress" emission reduction measures, and gave new authority to federal land managers to seek additional emission reduction measures outside of the states' planning process. Finally, the rule made several procedural changes to the regional haze program, including changes to the schedule and process for states to file 5-year progress reports. EPA's new rule was challenged by numerous parties. On January 19, 2018, EPA filed a motion to hold the case in abeyance in light of several letters issued by EPA on January 17, 2018 to grant various petitions for reconsideration of the 2017 rule revisions. EPA's decision to revisit the 2017 rule is not a determination on the merits of the issues raised in the petitions.

On December 20, 2018, EPA released a new guidance document on tracking visibility progress for the second planning period. EPA is allowing states discretion to develop SIPs that may differ from EPA's guidance as long as they are consistent with the CAA and other applicable regulations. On August 20, 2019, EPA finalized the draft guidance that was previously released as a companion to the regional haze rule revisions, and EPA clarified that guidance in a memorandum issued on July 8, 2021. SIPs for the second planning period were due in July 2021, which deadline NMED was unable to meet. NMED is currently preparing its SIP for the second compliance period and has notified PNM that it will not be required to submit a regional haze four-factor analysis for SJGS since PNM will retire its share of SJGS in 2022. On February 7, 2022, numerous environmental groups sent EPA a notice of intent to sue over the EPA's failure to issue a finding that 39 states, including New Mexico, failed to submit regional haze SIPs for the second planning period. Most states have not yet submitted their SIPs but are in the various stages of development. The notice of intent alleges that as of January 31, 2022, EPA is in violation of its nondiscretionary duty to issue a finding that these states failed to submit the required SIPs. NMED's current timeline indicates the proposed SIP will be submitted between July 2022 and January 2023.

Carbon Dioxide Emissions

On August 3, 2015, EPA established standards to limit CO_2 emissions from power plants, including (1) Carbon Pollution Standards for new, modified, and reconstructed power plants; and (2) the Clean Power Plan for existing power plants.

Multiple states, utilities and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources in separate cases. Challengers successfully petitioned the US Supreme Court for a stay of the Clean Power Plan. However, before the DC Circuit could issue an opinion regarding either the Carbon Pollution Standards or the Clean Power Plan, the Trump Administration asked that the case be held in abeyance while the rule was being re-evaluated, which was granted.

On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines. EPA set the Best System of Emissions Reduction ("BSER") for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" that can be applied inside the fence-line of an individual facility. On September 17, 2019, the DC Circuit issued an order that granted motions by various petitioners, including industry groups and EPA, to dismiss the cases challenging the Clean Power Plan as moot due to EPA's issuance of the ACE Rule.

The ACE Rule was also challenged, and on January 19, 2021, the DC Circuit issued an opinion in American Lung Association and American Public Health Association v. EPA, et al., finding that EPA misinterpreted the CAA when it determined that the language of Section 111 unambiguously barred consideration of emissions reductions options that were not applied at the source. As a result, the court vacated the ACE Rule and remanded the record back to the EPA for further consideration consistent with its opinion. While the DC Circuit rejected the ACE Rule, it did not reinstate the Clean Power Plan. EPA filed a motion seeking a partial stay of the mandate as to the repeal of the Clean Power Plan, to ensure the court's order will not render effective the now out-of-date Clean Power Plan. On February 22, 2021, the U.S. Court of Appeals for the DC Circuit granted EPA's motion, indicating that it would withhold issuance of the mandate with respect to the repeal of the Clean Power Plan until EPA responds to the court's remand in a new rulemaking action. EPA has commenced the rulemaking process under section 111 to establish new emission guidelines for CO_2 emissions from existing power plants. The agency indicates that they plan to publish the draft rule in the summer of 2022 with a final rule in summer of 2023.

Four petitions for writ of certiorari were filed in the US Supreme Court seeking review of the DC Circuit's January opinion vacating the ACE Rule and the repeal of the Clean Power Plan. The petitioners include (1) West Virginia and 18 other states that had intervened to defend the ACE Rule, (2) North American Coal Corporation, (3) North Dakota (separately from the other states), and (4) Westmoreland Mining Holdings LLC. On October 29, 2021, the US Supreme Court granted the four petitions for writs of certiorari. Oral arguments in the US Supreme Court were held on February 28, 2022. A decision is expected in June 2022.

The litigation over the Carbon Pollution Standards remains held in abeyance but could be reactivated by the parties upon a determination by the court that the Biden Administration is unlikely to finalize the revisions proposed in 2018 and that reconsideration of the rule has concluded.

On January 27, 2021, President Biden signed an extensive Executive Order aimed at addressing climate change concerns domestically and internationally. The order is intended to build on the initial climate-related actions the Biden Administration took on January 20, 2021. It addresses a wide range of issues, including establishing climate change concerns as an essential element of U.S. foreign and security policy, identifying a process to determine the U.S. INDC under the Paris Agreement, and establishing a Special Presidential Envoy for Climate that will sit on the National Security Council. On April 22, 2021, at the Earth Day Summit, as part of the U.S.'s re-entry into the Paris Agreement, President Biden unveiled the goal to cut U.S. emissions by 50% - 52% from 2005 levels by 2030, nearly double the GHG emissions reduction target set by the Obama Administration. The 2030 goal joins President Biden's other climate goals which include a carbon pollution-free power sector by 2035 and a net-zero emissions economy by no later than 2050.

PNM's review of the GHG emission reductions standards that may occur as a result of legislation or regulation under the Biden Administration and in response to the court's ruling on the ACE Rule is ongoing. PNM cannot predict the impact these standards may have on its operations or a range of the potential costs of compliance, if any.

National Ambient Air Quality Standards ("NAAQS")

The CAA requires EPA to set NAAQS for pollutants reasonably anticipated to endanger public health or welfare. EPA has set NAAQS for certain pollutants, including NOx, SO_2, ozone, and particulate matter.

NO_X Standard – On April 18, 2018, EPA published the final rule to retain the current primary health-based NOx standards of which NO_2 is the constituent of greatest concern and is the indicator for the primary NAAQS. EPA concluded that the current 1-hour and annual primary NO_2 standards are requisite to protect public health with an adequate margin of safety. The rule became effective on May 18, 2018. PNM maintains compliance with the current NOx NAAQS standards.

SO_2 Standard – On February 25, 2019, EPA announced its final decision to retain, without changes, the primary health-based NAAQS for SO_2. Specifically, EPA will retain the current 1-hour standard for SO_2, which is 75 parts per billion, based on the 3-year average of the 99th percentile of daily maximum 1-hour SO_2 concentrations. PNM maintains compliance with the current SO_2 NAAQS standards.

On March 26, 2021, EPA published in the Federal Register the initial air quality designations for all remaining areas not yet designated under the 2010 SO_2 Primary NAAQS. This is EPA's fourth and final set of actions to designate areas of the U.S. for the 2010 SO_2 NAAQS. All areas of New Mexico have been designated attainment/unclassifiable through four rounds of designations by EPA.

Ozone Standard – On October 1, 2015, EPA finalized the new ozone NAAQS and lowered both the primary and secondary 8-hour standard from 75 to 70 parts per billion. With ozone standards becoming more stringent, fossil-fueled generation units will come under increasing pressure to reduce emissions of NOx and volatile organic compounds since these are the pollutants that form ground-level ozone. On July 13, 2020, EPA proposed to retain the existing ozone NAAQS based on a review of the full body of currently available scientific evidence and exposure/risk information. EPA finalized its decision to retain the ozone NAAQS in a notice published on December 31, 2020 making it immediately effective. The Center for Biological Diversity filed a lawsuit on February 25, 2021, challenging the decision to retain the existing ozone standard, and the Biden Administration has included the decision in its list of actions that may be reconsidered.

On November 10, 2015, EPA proposed a rule revising its Exceptional Events Rule, which outlines the requirements for excluding air quality data (including ozone data) from regulatory decisions if the data is affected by events outside an area's control. The proposed rule is important in light of the more stringent ozone NAAQS final rule since western states like New Mexico and Arizona are subject to elevated background ozone transport from natural local sources, such as wildfires and stratospheric inversions, and transported via winds from distant sources in other regions or countries. EPA finalized the rule on October 3, 2016 and released related guidance in 2018 and 2019 to help implement its new exceptional events policy.

During 2017 and 2018, EPA released rules establishing area designations for ozone. In those rules, San Juan County, New Mexico, where SJGS and Four Corners are located, is designated as attainment/unclassifiable and only a small area in Doña Ana County, New Mexico is designated as marginal non-attainment. Although Afton is located in Doña Ana County, it is not located within the small area designated as non-attainment for the 2015 ozone standard. The rule became effective May 8, 2018.

On November 22, 2019, EPA issued findings that several states, including New Mexico, had failed to submit interstate transport SIPs for the 2015 8-hour ozone NAAQS. In response, in December 2019, NMED published the Public Review Draft of the New Mexico 2013 NAAQS Good Neighbor SIP that demonstrates that there are no significant contributions from New Mexico to downwind problems in meeting the federal ozone standard.

NMED has responsibility for bringing the small area in Doña Ana County designated as marginal/non-attainment for ozone into compliance and will look at all sources of NOx and volatile organic compounds. NMED has submitted the required elements for the Sunland Park Ozone Non-attainment Area SIP. This includes a transportation conformity demonstration, a 2017 baseline emissions inventory and emissions statement, and an amendment to the state's Non-attainment Permitting rules at 20.2.79 New Mexico Administrative Code to conform to EPA's SIP Requirements Rule for 2015 Q3 NAAQS (i.e., “implementation rule”).

The SIP elements had staggered deadlines and were done in three submissions: (1) the transportation conformity demonstration was completed by the El Paso Metropolitan Planning Organization on behalf of New Mexico in 2019, which is responsible for transportation planning in that area, and the submission received concurrence from EPA and the Federal Highway Administration; (2) the emissions inventory and statement SIP was submitted to EPA in September 2020; and (3) the Non-attainment New Source Review SIP was submitted to EPA on August 10, 2021.

In response to lawsuits brought by states and environmental groups, on October 29, 2021, EPA filed a motion in the DC Circuit indicating it will reconsider the 2020 ozone NAAQS standard. EPA expects to complete this by the end of 2023.

PNM does not believe there will be material impacts to its facilities because of NMED’s non-attainment designation of the small area within Doña Ana County. Until EPA approves attainment designations for the Navajo Nation and releases a proposal to implement the revised ozone NAAQS, PNM is unable to predict what impact the adoption of these standards may have on Four Corners. With respect to EPA’s reconsideration of the 2020 decision to retain the 2015 ozone standards, PNM cannot predict the outcome of this matter.

PM Standard – On January 30, 2020, EPA published in the Federal Register a notice announcing the availability of a final Policy Assessment for the Review of the NAAQS for Particulate Matter (the “Final PA”). The final assessment was prepared as part of the review of the primary and secondary PM NAAQS. In the assessment, EPA recommended lowering the primary annual PM 2.5 standard to between 8 µg/m3 and 10 µg/m3. However, on April 30, 2020, EPA published a proposed rule to retain the current standards for PM due to uncertainties in the data relied upon in the Final PA. EPA accepted comments on the proposed rule through June 29, 2020. On December 7, 2020, EPA announced it will retain, without revision, the existing primary (health-based) and secondary (welfare-based) NAAQS for PM, and EPA published a notice of that final action on December 18, 2020, making it immediately effective. On January 14, 2021, several states and New York City filed a petition for review in the DC Circuit, challenging EPA’s final rule retaining the current primary and secondary PM NAAQS. On February 9, 2021, a similar lawsuit was filed by the Center for Biological Diversity in the DC Circuit. On June 10, 2021, EPA announced that it will reconsider the previous administration’s December 2020 decision to retain the current primary and secondary PM NAAQS, and on October 8, 2021, EPA announced the release of a new draft policy assessment (the “Draft PA”). Like the Final PA, the Draft PA states that available scientific evidence and technical information indicate that the current standards may not be adequate to protect public health and welfare, as required by the Clean Air Act. EPA anticipates issuing a proposed rule in summer 2022 and a final rule in spring 2023. PNM maintains compliance with the current PM NAAQS standards and cannot predict the impacts of the outcome of future rulemaking.

Cooling Water Intake Structures

In 2014, EPA issued a rule establishing national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures).

To minimize impingement mortality, the rule provides operators of facilities, such as SJGS and Four Corners, seven options for meeting Best Technology Available (“BTA”) standards for reducing impingement. SJGS has a closed-cycle recirculating cooling system, which is a listed BTA and may also qualify for the “*de minimis* rate of impingement” based on the design of the intake structure. The permitting authority must establish the BTA for entrainment on a site-specific basis, taking into consideration an array of factors, including endangered species and social costs and benefits. Affected sources must submit source water baseline characterization data to the permitting authority to assist in the determination. Compliance deadlines under the rule are tied to permit renewal and will be subject to a schedule of compliance established by the permitting authority.

The rule is not clear as to how it applies and what the compliance timelines are for facilities like SJGS that have a cooling water intake structure and only a multi-sector general stormwater permit. However, EPA has indicated that it is contemplating a December 31, 2023 compliance deadline. PNM is working with EPA regarding this issue and does not expect material changes as a result of any requirements that may be imposed upon SJGS, particularly given the planned retirement of SJGS in 2022.

On May 23, 2018, several environmental groups sued EPA Region IX in the U.S. Court of Appeals for the Ninth Circuit Court over EPA's failure to timely reissue the Four Corners NPDES permit. The petitioners asked the court to issue a *writ of mandamus* compelling EPA Region IX to take final action on the pending NPDES permit by a reasonable date. EPA subsequently reissued the NPDES permit on June 12, 2018. The permit did not contain conditions related to the cooling water intake structure rule, as EPA determined that the facility has achieved BTA for both impingement and entrainment by operating a closed-cycle recirculation system. On July 16, 2018, several environmental groups filed a petition for review with EPA's Environmental Appeals Board ("EAB") concerning the reissued permit. The environmental groups alleged that the permit was reissued in contravention of several requirements under the Clean Water Act and did not contain required provisions concerning certain revised ELG, existing-source regulations governing cooling-water intake structures, and effluent limits for surface seepage and subsurface discharges from coal-ash disposal facilities. On December 19, 2018, EPA withdrew the Four Corners NPDES permit in order to examine issues raised by the environmental groups. Withdrawal of the permit moots the appeal pending before the EAB. EAB thereafter dismissed the environmental groups' appeal. EPA issued an updated NPDES permit on September 30, 2019. The permit was once again appealed to the EAB and was stayed before the effective date. Oral argument was heard on September 3, 2020. The EAB issued an order denying the petition for review on September 30, 2020. The denial was based on the EAB's determination that the petitioners had failed to demonstrate that review of the permit was warranted on any of the grounds presented in the petition. Thereafter, the Regional Administrator of the EPA signed a Notice of Final Permit Decision, and the NPDES permit was issued on November 9, 2020. The permit became effective December 1, 2020 and will expire on November 30, 2025. On January 22, 2021, the environmental groups filed a petition for review of the EAB's decision with the U.S. Court of Appeals for the Ninth Circuit. The September 2019 permit remains in effect pending this appeal. PNM cannot predict whether there will be further appeals of this matter or whether the outcome of any such appeal will have a material impact on PNM's financial position, results of operations, or cash flows.

Effluent Limitation Guidelines

On June 7, 2013, EPA published proposed revised wastewater ELG establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA signed the final Steam Electric ELG rule on September 30, 2015. The final rule, which became effective on January 4, 2016, phased in the new, more stringent requirements in the form of effluent limits for arsenic, mercury, selenium, and nitrogen for wastewater discharged from wet scrubber systems and zero discharge of pollutants in ash transport water that must be incorporated into plants' NPDES permits. The 2015 rule required each plant to comply between 2018 and 2023 depending on when it needs a new or revised NPDES permit.

The Steam Electric ELG rule was challenged in the U.S. Court of Appeals for the Fifth Circuit by numerous parties. On April 12, 2017, EPA signed a notice indicating its intent to reconsider portions of the rule, and on August 22, 2017, the Fifth Circuit issued an order severing the issues under reconsideration and holding the case in abeyance as to those issues. However, the court allowed challenges to other portions of the rule to proceed. On April 12, 2019, the Fifth Circuit granted those challenges and issued an opinion vacating several portions of the rule, specifically those related to legacy wastewater and leachate, for which the court deemed the standards selected by EPA arbitrary and capricious.

On September 18, 2017, EPA published a final rule for postponement of certain compliance dates. The rule postponed the earliest date on which compliance with the ELG for these waste streams would be required from November 1, 2018 until November 1, 2020. On November 22, 2019, EPA published a proposed rule revising the original ELG while maintaining the compliance dates. Comments were due January 21, 2020. On October 13, 2020, EPA published in the Federal Register the final Steam Electric ELG and standards for the Steam Electric Power Generating Point Source Category, revising the final 2015 guidelines for both flue gas desulfurization wastewater and bottom ash transport water. The rule will require compliance with new limits as soon as possible on or after October 13, 2021, but no later than December 31, 2025.

On August 3, 2021, EPA published notice that it will undertake a supplemental rulemaking to revise the ELG after completing its review of the 2020 Reconsideration Rule. As part of this process, EPA will determine whether more stringent limitations and standards are appropriate. EPA intends to publish a proposed rule in the fall of 2022.

Because SJGS is zero discharge for wastewater and is not required to hold a NPDES permit, it is expected that minimal to no requirements will be imposed. Reeves Station discharges cooling tower blowdown to a publicly owned treatment plant and holds an NPDES permit. It is expected that minimal to no requirements will be imposed at Reeves Station.

See "Cooling Water Intake Structures" above for additional discussion of Four Corners' current NPDES permit. Four Corners may be required to change equipment and operating practices affecting boilers and ash handling systems, as well as change its waste disposal techniques during the next NPDES permit renewal in 2023. PNM is unable to predict the outcome of these matters or a range of the potential costs of compliance.

Santa Fe Generating Station

PNM and NMED are parties to agreements under which PNM has installed a remediation system to treat water from a City of Santa Fe municipal supply well and an extraction well to address gasoline contamination in the groundwater at the site of PNM's former Santa Fe Generating Station and service center. A 2008 NMED site inspection report states that neither the source nor extent of contamination at the site has been determined and that the source may not be the former Santa Fe Generating Station. During 2013 and 2014, PNM and NMED collected additional samples that showed elevated concentrations of nitrate and volatile organic compounds in some of the monitoring wells at the site. In addition, one monitoring well contained free-phase hydrocarbon products. PNM collected a sample of the product for "fingerprint" analysis. The results of this analysis indicated the product was a mixture of older and newer fuels. The presence of newer fuels in the sample suggests the hydrocarbon product likely originated from off-site sources. In December 2015, PNM and NMED entered into a memorandum of understanding to address changing groundwater conditions at the site under which PNM agreed to continue hydrocarbon investigation under the supervision of NMED. Qualified costs are eligible for payment through the New Mexico Corrective Action Fund ("CAF"), which is administered by the NMED Petroleum Storage Tank Bureau. In March 2019, PNM received notice from NMED that an abatement plan for the site is required to address concentrations of previously identified compounds, unrelated to those discussed above, found in the groundwater. NMED approved PNM's abatement plan proposal, which covers field work and reporting.

Field work related to the investigation under both the CAF and abatement plan requirements was completed in October 2019. Activities and findings associated with the field work were presented in two separate reports and released to stakeholders in early 2020. Subsequent field work was completed in July 2020 and two reports were released supporting PNM's contention that off-site sources have impacted, and are continuing to impact, the local groundwater in the vicinity of the former Santa Fe Generating Station.

PNM submitted work plans to NMED in January 2021 for review and approval. In December 2021, NMED approved both workplans and work is underway. These activities are expected to be completed by the end of 2022.

The City of Santa Fe has stopped operating its well at the site, which is needed for PNM's groundwater remediation system to operate. As a result, PNM has stopped performing remediation activities at the site. However, PNM's monitoring and other abatement activities at the site are ongoing and will continue until the groundwater meets applicable federal and state standards or until the NMED determines remediation is not required, whichever is earlier. PNM is not able to assess the duration of this project or estimate the impact on its obligations if PNM is required to resume groundwater remediation activities at the site. PNM is unable to predict the outcome of these matters.

Coal Combustion Residuals Waste Disposal

CCRs consisting of fly ash, bottom ash, and gypsum generated from coal combustion and emission control equipment at SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCR impoundments or landfills. The NMMMD currently regulates mine reclamation activities at the San Juan mine, including placement of CCRs in the surface mine pits, with federal oversight by the OSM. APS disposes of CCRs in ponds and dry storage areas at Four Corners. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

EPA's final coal ash rule, which became effective on October 19, 2015, included a non-hazardous waste determination for coal ash and sets minimum criteria for existing and new CCR landfills and surface impoundments. On December 16, 2016, the Water Infrastructure Improvements for the Nation Act (the "WIIN Act") was signed into law to address critical water infrastructure needs in the U.S. and contains a number of provisions related to the CCR rules. Among other things, the WIIN Act allows, but does not require, states to develop and submit CCR permit programs for EPA approval, provides flexibility for states to incorporate EPA's final rule for CCRs or develop other criteria that are at least as protective as EPA's final rule, and requires EPA to approve state permit programs within 180 days of submission by the state. Because states are not required to implement their own CCR permit programs, EPA will implement the permit program in states that choose not to implement a program, subject to Congressional funding. Until permit programs are in effect, EPA has authority to directly enforce the CCR rule. For facilities located within the boundaries of Native American reservations, such as the Navajo Nation where Four Corners is located, EPA is required to develop a federal permit program regardless of appropriated funds.

On July 30, 2018, EPA published a rule that constitutes "Phase One, Part One" of its ongoing reconsideration and revision of the April 17, 2015, CCR rule. The final Phase One, Part One rule includes two types of revisions. The first revision extended the deadline to allow EGUs with unlined impoundments or that fail to meet the uppermost aquifer requirement to continue to receive coal ash until October 31, 2020. This deadline was again extended by subsequent amendments. The rule also authorized a "Participating State Director" or EPA to approve suspension of groundwater monitoring requirements and to issue certifications related to the location restrictions, design criteria, groundwater monitoring, remedy selection and implementation. The rule also modified groundwater protection standards for certain constituents, which include cobalt, molybdenum, lithium, and lead without a maximum contamination level.

On August 14, 2019, EPA published a second round of revisions, which are commonly referred to as the "Phase Two" revisions. Phase Two proposed revisions to reporting and accessibility to public information, the "CCR piles" and "beneficial use" definitions and the requirements for management of CCR piles. EPA has reopened and extended the Phase Two comment several times. Most recently, on March 12, 2021, EPA reopened the comment period on its prior notice that announced the availability of new information and data pertaining to the Phase Two proposed rule. EPA extended the comment period for an additional 60 days, until May 11, 2021. EPA has not yet finalized provisions in Phase Two related to beneficial use of CCR and CCR piles. This activity is on EPA's long-term agenda, which means EPA has no plans to address these issues in the next 12 months.

Since promulgating its Phase Two proposal, EPA has finalized two other rules addressing various CCR rule provisions. On December 2, 2019, EPA promulgated its proposed Holistic Approach to Closure Part A ("Part A"), which proposed a new deadline of August 31, 2020, for companies to initiate closure of unlined CCR impoundments. In accordance with the DC Circuit Court of Appeals' vacatur of portions of the CCR Rule, Part A also proposed changing the classification of compacted soil-lined or clay-lined surface impoundments from "lined" to "unlined". In addition, Part A delineated a process for owners/operators to submit requests for alternative closure deadlines based on lack of alternate disposal capacity. EPA issued the final Part A on August 28, 2020, which became effective on September 28, 2020. This rule finalized the classification of soil-lined and clay-lined surface impoundments as unlined, thus, triggering closure or retrofit requirements for those impoundments. The final Part A also gave operators of unlined impoundments until April 11, 2021 to cease receipt of waste at these units and initiate closure.

On March 3, 2020, EPA issued the proposed Holistic Approach to Closure Part B ("Part B"), which delineated the process for owners/operators to submit alternate liner demonstrations for clay-lined surface impoundments that could otherwise meet applicable requirements. Part B also proposed regulations addressing beneficial use for closure of surface impoundments. On November 12, 2020, EPA issued the final Part B rule, which became effective December 14, 2020. This rule did not include beneficial use of CCR for closure, which EPA explains will be addressed in subsequent rulemaking actions. EPA intends to issue several other rulemakings covering legacy ponds and finalizing parts of previously proposed rules. These proposed rules and final rules are expected in 2022.

On February 20, 2020, EPA published a proposed rule establishing a federal permitting program for the handling of CCR within the boundaries of Native American reservations and in states without their own federally authorized state programs. Permits for units within the boundaries of Native American reservations would be due 18 months after the effective date of the rule. The final rule is expected in October 2022. EPA is coordinating with the affected permits for the three facilities with CCR disposal units located on Native American lands. PNM cannot predict the outcome of EPA's rule making activity or the outcome of any related litigation, and whether or how such a ruling would affect operations at Four Corners.

The CCR rule does not cover mine placement of coal ash. OSM is expected to publish a proposed rule covering mine placement in the future and will likely be influenced by EPA's rule and the determination by EPA that CCRs are non-hazardous. PNM cannot predict the outcome of OSM's proposed rulemaking regarding CCR regulation, including mine placement of CCRs, or whether OSM's actions will have a material impact on PNM's operations, financial position, or cash flows. Based upon the requirements of the final Part A CCR rule, PNM conducted a CCR assessment at SJGS and made minor modifications at the plant to ensure that there are no facilities that would be considered impoundments or landfills under the rule. PNM would seek recovery from its retail customers of all CCR costs for jurisdictional assets that are ultimately incurred.

Utilities that own or operate CCR disposal units, such as those at Four Corners, as indicated above, were required to collect sufficient groundwater sampling data to initiate a detection monitoring program. Four Corners completed the analysis for its CCR disposal units, which identified several units that will need corrective action or will need to cease operations and initiate closure by April 11, 2021. As part of this assessment, Four Corners will continue to gather additional groundwater data and perform remedial evaluations. At this time, PNM does not anticipate its share of the cost to complete these corrective actions to close the CCR disposal units, or to gather and perform remedial evaluations on groundwater at Four Corners, will have a significant impact on its operations, financial position, or cash flows.

Other Commitments and Contingencies

Coal Supply

SJGS

The coal requirements for SJGS are supplied by WSJ LLC. In addition to coal delivered to meet the current needs of SJGS, PNM has prepaid the current San Juan mine owner and operator, WSJ LLC, for certain coal mined but not yet delivered to the plant site. At December 31, 2021 and 2020, prepayments for coal, which are included in prepaid assets, amounted to $20.4 million and $26.3 million.

In conjunction with the activities undertaken to comply with the CAA for SJGS, PNM and the other owners of SJGS evaluated alternatives for the supply of coal to SJGS. On July 1, 2015, PNM and Westmoreland entered into a new coal supply agreement (the "SJGS CSA"), pursuant to which Westmoreland, through its indirectly wholly-owned subsidiary SJCC, agreed to supply all of the coal requirements of SJGS through June 30, 2022. PNM and Westmoreland also entered into agreements under which CCR disposal and mine reclamation services for SJGS would be provided. As discussed in Note 10, WSJ LLC assumed the rights and obligations of SJCC under the SJGS CSA and the agreements for CCR disposal and mine reclamation services.

Pricing under the SJGS CSA is primarily fixed, with adjustments to reflect changes in general inflation and takes into account that WSJ LLC has been paid for coal mined but not delivered. Substantially all of PNM's coal costs are passed through the FPPAC. In November 2018, PNM provided notice to Westmoreland that PNM does not intend to extend the term of the SJGS CSA or to negotiate a new coal supply agreement for SJGS, which would have resulted in the current agreement expiring on its own terms on June 30, 2022. On February 17, 2022, PNM and WSJ LLC entered into an amendment to extend the SJGS CSA through September 30, 2022, subject to FERC's acceptance of the amended participation agreement. The amendment provides for a fixed price increase of $5.00 per ton, beginning April 1, 2022, which would pass through the FPPAC. See additional discussion of PNM's SJGS Abandonment Application in Note 17.

WSJ LLC notified PNM in July 2021 that it had encountered unfavorable geologic conditions that were impeding longwall progress in the San Juan Mine. On August 17, 2021, WSJ LLC issued a formal notice of non-normal conditions due to WSJ LLC's inability to maintain a reserve of coal at required levels. WSJ LLC also notified PNM that these geologic complications constituted a force majeure event that was preventing WSJ LLC from satisfying its obligation to maintain required coal inventory levels. Geologic conditions have subsequently improved, and on December 9, 2021, Westmoreland gave official notice that they were terminating the potential force majeure conditions. PNM expects the mine to operate under normal conditions with no significant impact on full load operations through the remainder of the SJ CSA.

In connection with certain mining permits relating to the operation of the San Juan mine, the San Juan mine owner was required to post reclamation bonds of $118.7 million with the NMMMD. In order to facilitate the posting of reclamation bonds by sureties on behalf of the San Juan mine owner, PNMR entered into the WFB LOC Facility under which letters of credit aggregating $30.3 million have been issued. As discussed in Note 10, on March 15, 2019, the assets owned by SJCC were sold to WSJ LLC, a subsidiary of Westmoreland Mining Holdings, LLC. Under the sale agreement, WSJ LLC assumed the rights and obligations of SJCC including obligations to PNMR under the outstanding letters of credit.

Four Corners

APS purchases all of Four Corners' coal requirements from NTEC, an entity owned by the Navajo Nation, under the Four Corners CSA that expires in 2031. The coal comes from reserves located within the Navajo Nation. The contract provides for pricing adjustments over its term based on economic indices. PNM's share of the coal costs is being recovered through the FPPAC. In connection with the exit of Four Corners, PNM would make payments totaling $75.0 million to NTEC for relief from its obligations under the coal supply agreements for Four Corners after December 31, 2024. PNM is not proposing to recover the $75.0 million from ratepayers and, if approved, would not be recovered through the FPPAC. See Note 17 for additional information on PNM's Four Corners Abandonment Application.

NTEC has contracted with Bisti Fuels Company, LLC, a subsidiary of The North American Coal Corporation, for management and operation of the mine. Under the CSA, NTEC has the right, after a specified period, to request approval from the Four Corners owners to replace Bisti Fuels Company as mine manager with NTEC's internal resources and perform all or some mine management functions. APS granted approval on behalf of the owners on June 16, 2021, subject to certain credit assurance requirements. On June 17, 2021, NTEC notified The North American Coal Corporation that the contract mining agreement between Bisti Fuels Company and NTEC is terminated effective September 30, 2021. NTEC assumed direct operations at Navajo Mine on October 1, 2021.

Coal Mine Reclamation

As indicated under Coal Combustion Residuals Waste Disposal above, SJGS currently disposes of CCRs in the surface mine pits adjacent to the plant and Four Corners disposes of CCRs in ponds and dry storage areas. In conjunction with the proposed shutdown of SJGS Units 2 and 3 and to comply with the BART requirements of the CAA, periodic updates to the coal mine reclamation study were requested by the SJGS participants. These updates have included adjustments to reflect the December 2017 shutdown of SJGS Units 2 and 3, the terms of the reclamation services agreement with WSJ LLC, and changes to reflect the requirements of the 2015 San Juan mine permit plan.

In late 2020, a mine reclamation cost study was completed for the mine that serves SJGS and in December 2020, PNM remeasured its liability, which resulted in an increase in the overall reclamation costs of $3.6 million, due primarily to higher inflationary factors. As a result, PNM recorded a less than $0.1 million decrease in the liability at December 31, 2020 related to the underground mine and a decrease to the regulatory assets on the Consolidated Balance Sheets and recorded a $3.6 million increase in the liability associated with the surface mine as regulatory disallowances and restructuring costs on the Consolidated Statements of Earnings. PNM's estimate of the costs necessary to reclaim the mine that serves SJGS is subject to many assumptions, including the timing of reclamation, generally accepted practices at the time reclamation activities occur, and then current inflation and discount rates. PNM cannot predict the ultimate cost to reclaim the mine that serves SJGS and would seek to recover all costs related to reclaiming the underground mine from its customers but could be exposed to additional loss related to surface mine reclamation.

A coal mine reclamation study for the mine that serves Four Corners was issued in 2019. The study reflected operation of the mine through 2031, the term of the Four Corners CSA. The study resulted in a net increase in PNM's share of the coal mine reclamation obligation of $0.8 million, which was primarily driven by lower overhead costs offset by an increase driven by a reduction in the discount rate used by PNM to measure the liability during the year ended December 31, 2019. As discussed in Note 17, PNM remains responsible for its share of costs associated with mine reclamation under the Four Corners Purchase and Sale Agreement with NTEC. NTEC and PNM will complete a reclamation study in 2024 providing the final mine reclamation cost estimate on the date of ownership transfer. PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation after 2024. PNM determined that events and circumstances regarding Four Corners, including the Four Corners Purchase and Sale Agreement with NTEC and the Four Corners Abandonment Application and subsequent appeal of the NMPRC decision, indicated that it is more likely than not that PNM's share of Four Corners coal mine reclamation obligation would be settled in 2024, rather than 2031. As of December 31, 2020, PNM remeasured its Four Corners coal mine reclamation liability and recorded a decrease to the liability of $2.5 million on the Consolidated Balance Sheet and a decrease to regulatory disallowances and restructuring costs on the Consolidated Statement of Earnings.

Based on the most recent estimates, PNM's remaining payments for mine reclamation, in future dollars, are estimated to be $74.1 million for the surface mines at both SJGS and Four Corners and $34.9 million for the underground mine at SJGS as of December 31, 2021. At December 31, 2021 and 2020, liabilities, in current dollars, of $67.4 million and $71.7 million for surface mine reclamation and $27.9 million and $26.1 million for underground mine reclamation were recorded in other deferred credits.

Under the terms of the SJGS CSA, PNM and the other SJGS owners are obligated to compensate WSJ LLC for all reclamation costs associated with the supply of coal from the San Juan mine. The SJGS owners entered into a reclamation trust funds agreement to provide funding to compensate WSJ LLC for post-term reclamation obligations. As part of the restructuring of SJGS ownership (see SJGS Ownership Restructuring Matters above), the SJGS owners negotiated the terms of an amended agreement to fund post-term reclamation obligations under the CSA. The trust funds agreement requires each owner to enter into an individual trust agreement with a financial institution as trustee, create an irrevocable reclamation trust, and periodically deposit funds into the reclamation trust for the owner's share of the mine reclamation obligation. Deposits, which are based on funding curves, must be made on an annual basis. As part of the restructuring of SJGS ownership discussed above, the SJGS participants agreed to adjusted interim trust funding levels. PNM funded $5.2 million in 2021, $3.2 million in 2020, and $5.5 million in 2019. Based on PNM's reclamation trust fund balance at December 31, 2021, the current funding curves indicate PNM's required contributions to its reclamation trust fund would be $5.6 million in 2022, zero in 2023, and zero in 2024.

Under the Four Corners CSA, PNM is required to fund its share of estimated final reclamation costs in annual installments into an irrevocable escrow account solely dedicated to the final reclamation cost of the surface mine at Four Corners. PNM contributed $2.2 million in 2021, $2.0 million in 2020, and $2.3 million in 2019 and anticipates providing additional funding of $2.1 million in each of the years from 2022 through 2024. As discussed above, under the terms of the Four Corners Purchase and Sale Agreement with NTEC, PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation.

PNM recovers from retail customers reclamation costs associated with the underground mine. However, the NMPRC has capped the amount that can be collected from retail customers for final reclamation of the surface mines at $100.0 million for both SJGS and Four Corners. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. The impacts of changes in New Mexico state law as a result of the enactment of the ETA and regulatory determinations made by the NMPRC may also affect PNM's financial position, results of operations, and cash flows. See additional discussion regarding PNM's SJGS and Four Corners Abandonment Applications in Note 17. PNM is currently unable to determine the outcome of these matters or the range of possible impacts.

San Juan County Decommissioning Ordinance

On November 9, 2021, the San Juan County Commission approved the Coal-Fired Electricity Generating Facility Demolition and Remediation Ordinance ("Ordinance 121"), requiring the full demolition of SJGS upon its complete and permanent closure. Ordinance 121 requires the SJGS owners to submit a proposed demolition and remediation plan no later than three months after SJGS is retired. In connection with restructuring of the SJGS ownership on December 31, 2017, PNM and the other SJGS owners entered into the San Juan Decommissioning and Trust Funds Agreement, which requires PNM to fund its ownership share of final decommissioning costs into an irrevocable trust. Under the agreement, PNM is required to make an initial funding of $14.7 million by December 31, 2022. The amount and timing of additional trust funding is subject to revised decommissioning cost studies, a decision by the current owners to permanently retire SJGS and agreement among the SJGS owners. PNM has posted a surety bond in the amount of $46.0 million in connection with certain environmental decommissioning obligations and must maintain the bond or other financial assurance until those obligations are satisfied. The surety bond only represents a liability if PNM fails to deliver on its contractual liability. For information regarding the impact of Ordinance 121 on PNM's SJGS decommissioning ARO see Note 15.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Nuclear Industries Indemnity Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both commercial sources and an industry-wide retrospective payment plan. In accordance with this act, the PVNGS participants are insured against public liability exposure for a nuclear incident up to $13.5 billion per occurrence. PVNGS maintains the maximum available nuclear liability insurance in the amount of $450 million, which is provided by American Nuclear Insurers. The remaining $13.1 billion is provided through a mandatory industry-wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, PNM's maximum potential retrospective premium assessment per incident for all three units is $42.1 million, with a maximum annual payment limitation of $6.2 million, to be adjusted periodically for inflation.

The PVNGS participants maintain insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.8 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). The primary policy offered by NEIL contains a sublimit of $2.25 billion for non-nuclear property damage. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective premium adjustments of $5.4 million for each retrospective premium assessment declared by NEIL's Board of Directors due to losses. The insurance coverages discussed in this and the previous paragraph are subject to certain policy conditions, sublimits, and exclusions.

San Juan River Adjudication

In 1975, the State of New Mexico filed an action in NM District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, then President Obama signed legislation confirming a 2005 settlement with the Navajo Nation. Under the terms of the settlement agreement, the Navajo Nation's water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court issued an order in August 2013 finding that no evidentiary hearing was warranted in the Navajo Nation proceeding, and on November 1, 2013, issued a Partial Final Judgment and Decree of the Water

Rights of the Navajo Nation approving the proposed settlement with the Navajo Nation. A number of parties subsequently appealed to the New Mexico Court of Appeals. PNM entered its appearance in the appellate case and supported the settlement agreement in the NM District Court. On April 3, 2018, the New Mexico Court of Appeals issued an order affirming the decision of the NM District Court. Several parties filed motions requesting a rehearing with the New Mexico Court of Appeals seeking clarification of the order, which were denied. The State of New Mexico and various other appellants filed a *writ of certiorari* with the NM Supreme Court. The NM Supreme Court granted the State of New Mexico's petition and denied the other parties' requests. The issues regarding the Navajo Nation settlement have been briefed and are awaiting a decision by the NM Supreme Court. Adjudication of non-Indian water rights is ongoing.

PNM is participating in this proceeding since PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement and adjudicated to the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin and which have priority in times of shortages. PNM is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

Navajo Nation Allottee Matters

In September 2012, 43 landowners filed a notice of appeal with the Bureau of Indian Affairs ("BIA") appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The landowners claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that PNM is a rights-of-way grantee with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. The allottees generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. The allottees filed a motion to dismiss their appeal with prejudice, which was granted in April 2014. Subsequent to the dismissal, PNM received a letter from counsel on behalf of what appears to be a subset of the 43 landowner allottees involved in the appeal, notifying PNM that the specified allottees were revoking their consents for renewal of right of way on six specific allotments. On January 22, 2015, PNM received a letter from the BIA Regional Director identifying ten allotments with rights-of-way renewals that were previously contested. The letter indicated that the renewals were not approved by the BIA because the previous consent obtained by PNM was later revoked, prior to BIA approval, by the majority owners of the allotments. It is the BIA Regional Director's position that PNM must re-obtain consent from these landowners. On July 13, 2015, PNM filed a condemnation action in the NM District Court regarding the approximately 15.49 acres of land at issue. On September 18, 2015, the allottees filed a separate complaint against PNM for federal trespass. On December 1, 2015, the court ruled that PNM could not condemn two of the five allotments at issue based on the Navajo Nation's fractional interest in the land. PNM filed a motion for reconsideration of this ruling, which was denied. On March 31, 2016, the Tenth Circuit granted PNM's petition to appeal the December 1, 2015 ruling. Both matters have been consolidated. Oral argument before the Tenth Circuit was heard on January 17, 2017. On May 26, 2017, the Tenth Circuit affirmed the district court. On July 8, 2017, PNM filed a Motion for Reconsideration *en banc* with the Tenth Circuit, which was denied. The NM District Court stayed the case based on the Navajo Nation's acquisition of interests in two additional allotments and the unresolved ownership of the fifth allotment due to the owner's death. On November 20, 2017, PNM filed its petition for *writ of certiorari* with the US Supreme Court, which was denied. The underlying litigation continues in the NM District Court. On March 27, 2019, several individual allottees filed a motion for partial summary judgment on the issue of trespass. The Court held a hearing on the motion on June 18, 2019 and took the motion under advisement. PNM, the allottees and the United States have agreed to a framework for settlement. The parties are preparing the settlement agreement and the stipulated court order. PNM cannot predict the outcome of these matters.

Merger-Related Litigation

Six purported shareholders of PNMR filed lawsuits against PNMR and the members of the Board challenging the proposed Merger with Avangrid. The lawsuits all challenged the adequacy of the disclosures in the definitive proxy statement filed by PNMR with the SEC on January 5, 2021, and sought, among other things, to enjoin the Merger or, if the Merger has been consummated, to rescind the Merger or an award of damages, and an award of attorneys' and experts' fees and expenses. Five of the lawsuits were filed in the United States District Court for the Southern District of New York and one was filed in the United States District Court for the Eastern District of New York. The lawsuits pending in the Southern District of New York were consolidated in the case captioned In re PNM Resources, Inc. Shareholder Litigation, Consolidated Civil Action No. 1:20-CV-10874. The five plaintiffs in the consolidated action in the Southern District of New York filed notices of voluntary dismissal, and on April 9, 2021, the Court ordered the Clerk of Court to close the consolidated action and all member cases. All five cases filed in the Southern District of New York have been closed. The case pending in the Eastern District of New York, captioned Durlacher v. PNM Resources, Inc., et al., Case No. 1:21-cv-0024, was not served on the defendants and the plaintiff filed a notice of voluntary dismissal on February 15, 2021. These matters are now concluded.

Texas Winter Storm

In mid-February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail the delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. Various regulatory and governmental entities are conducting, or have announced they may conduct, inquiries, investigations and other reviews of the Texas winter storm event. Entities that have announced that they plan to conduct or are conducting such inquiries, investigations and other reviews include FERC, NERC, Texas Reliability Entity Inc., ERCOT, the Texas Legislature, the Texas Attorney General, the PUCT, and the Galveston County District Attorney. Further, lawsuits have been filed against various market participants relating to the power outages resulting from the Texas winter storm, including TNMP. As a utility operating during the Texas winter storm event, there is a risk TNMP could be named in additional lawsuits in the future. TNMP intends to vigorously defend itself against any claims raised. TNMP has deferred bad debt expense from defaulting REPs to a regulatory asset totaling $0.8 million at December 31, 2021, and will seek recovery in a general rate case. At this time, the Company does not expect significant financial impacts related to this event, however, it cannot predict the outcome of such matters or the impact on the ERCOT market.

(17) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 16.

PNMR

Merger Regulatory Proceedings

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Among other conditions, consummation of the Merger is subject to receipt of all required regulatory approvals. Five federal agencies and the PUCT have completed their reviews and approved the Merger, leaving the NMPRC as the only remaining approval necessary for the merger. The original application before the NMPRC was filed in November 2020. For additional information on the Merger regulatory proceedings see Note 22.

PNM

New Mexico General Rate Cases

New Mexico 2015 General Rate Case (“NM 2015 Rate Case”)

In 2015, PNM filed an application with the NMPRC for a general increase in retail electric rates. The application proposed a revenue increase of $123.5 million, including base non-fuel revenues of $121.7 million. The NMPRC ordered PNM to file additional testimony regarding PNM’s interests in PVNGS, including the 64.1 MW of PVNGS Unit 2 that PNM repurchased in January 2016 pursuant to the terms of the initial sales-leaseback transactions.

In August 2016, the hearing examiner in the case issued a recommended decision (the “August 2016 RD”). The August 2016 RD, among other things, recommended that the NMPRC find PNM was imprudent in the actions taken to purchase the previously leased 64.1 MW of capacity in PVNGS Unit 2, extending the leases for 114.6 MW of capacity of PVNGS Units 1 and 2, and installing the BDT equipment on SJGS Units 1 and 4. As a result, the August 2016 RD recommended the NMPRC disallow recovery of the entire $163.3 million purchase price for the January 15, 2016 purchases of the assets underlying three leases aggregating 64.1 MW of PVNGS Unit 2, the undepreciated capital improvements made during the period the 64.1 MW of purchased capacity was leased, rent expense aggregating $18.1 million annually for leases aggregating 114.6 MW of capacity that were extended through January 2023 and 2024 (Note 8), and recovery of the costs of converting SJGS Units 1 and 4 to BDT.

On September 28, 2016, the NMPRC issued an order that authorized PNM to implement an increase in non-fuel rates of $61.2 million, effective for bills sent to customers after September 30, 2016. The order generally approved the August 2016 RD, but with certain significant modifications. The modifications to the August 2016 RD included:

- Inclusion of the January 2016 purchase of the assets underlying three leases of capacity, aggregating 64.1 MW, of PVNGS Unit 2 at an initial rate base value of $83.7 million; and disallowance of the recovery of the undepreciated costs of capitalized improvements made during the period the 64.1 MW was being leased by PNM, which aggregated $43.8 million when the order was issued
- Recovery of annual rent expenses associated with the 114.6 MW of capacity under the extended leases
- Disallowance of the recovery of any future contributions for PVNGS decommissioning costs related to the 64.1 MW of capacity purchased in January 2016 and the 114.6 MW of capacity under the extended leases

On September 30, 2016, PNM filed a notice of appeal with the NM Supreme Court regarding the order in the NM 2015 Rate Case. Specifically, PNM appealed the NMPRC's determination that PNM was imprudent in certain matters in the case, including the NMPRC's disallowance of the full purchase price of the 64.1 MW of capacity in PVNGS Unit 2, the undepreciated costs of capitalized improvements made during the period the 64.1 MW of capacity was leased by PNM, the cost of converting SJGS Units 1 and 4 to BDT, and future contributions for PVNGS decommissioning attributable to the 64.1 MW of purchased capacity and the 114.6 MW of capacity under the extended leases. NEE, NM AREA, and ABCWUA filed notices of cross-appeal to PNM's appeal. The issues appealed by the various cross-appellants included, among other things, the NMPRC allowing PNM to recover any of the costs of the lease extensions for the 114.6 MW of PVNGS Units 1 and 2 and the purchase price for the 64.1 MW in PVNGS Unit 2, the costs incurred under the Four Corners CSA, and the inclusion of the "prepaid pension asset" in rate base.

During the pendency of the appeal, PNM evaluated the consequences of the order in the NM 2015 Rate Case and the related appeals to the NM Supreme Court. These evaluations indicated that it was reasonably possible that PNM would be successful on the issues it was appealing but would not be provided capital costs recovery until the NMPRC acted on a decision of the NM Supreme Court. PNM also evaluated the accounting consequences of the issues being appealed by the cross-appellants and concluded that the issues raised in the cross-appeals did not have substantial merit.

On May 16, 2019, the NM Supreme Court issued its decision on the matters that had been appealed in the NM 2015 Rate Case. The NM Supreme Court rejected the matters appealed by the cross-appellants and affirmed the NMPRC's disallowance of a portion of the purchase price of the 64.1 MW of capacity in PVNGS Unit 2; the undepreciated costs of capital improvements made during the time the 64.1 MW capacity was leased by PNM; and the costs to install BDT at SJGS Units 1 and 4. The NM Supreme Court also ruled that the NMPRC's decision to permanently disallow recovery of future decommissioning costs related to the 64.1 MW of PVNGS Unit 2 and the 114.6 MW of PVNGS Units 1 and 2 deprived PNM of its rights to due process of law and remanded the case to the NMPRC for further proceedings consistent with the court's findings. On July 17, 2019, the NMPRC heard oral argument from parties in the case on how to best proceed with the NM Supreme Court's remand. At oral argument, parties presented various positions ranging from re-litigating the value of PVNGS resources determined by the NMPRC and affirmed by the NM Supreme Court to re-affirming the NMPRC's final order with a single modification to address recovery of future PVNGS decommissioning costs in a future case. On January 8, 2020, the NMPRC issued its order on remand, which reaffirmed its September 2016 order except for the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2. The NMPRC indicated that PNM's ability to recover these costs will be addressed in a future proceeding and closed the NM 2015 Rate Case docket.

As a result of the NM Supreme Court's ruling, during the year ended December 31, 2019, PNM recorded pre-tax impairments of $150.6 million, which includes $73.2 million for a portion of the purchase price for 64.1 MW in PVNGS Unit 2, $39.7 million of undepreciated capitalized improvements made during the period the 64.1 MW was being leased by PNM, and $37.7 million for BDT on SJGS Units 1 and 4 and is reflected as regulatory disallowances and restructuring costs in the Consolidated Statements of Earnings. The impairment was offset by tax impacts of $45.7 million, which are reflected as income taxes on the Consolidated Statements of Earnings.

New Mexico 2016 General Rate Case ("NM 2016 Rate Case")

In 2016, PNM filed an application with the NMPRC for a general increase in retail electric rates. PNM's application used a FTY beginning January 1, 2018 and requested an increase in base non-fuel revenues of $99.2 million based on a ROE of 10.125%. The primary drivers of PNM's revenue deficiency included implementation of modifications to PNM's resource portfolio, which were approved by the NMPRC in December 2015 as part of the SJGS regional haze compliance plan, infrastructure investments, including environmental upgrades at Four Corners, declines in forecasted energy sales due to successful energy efficiency programs and other economic factors, and updates to FERC/retail jurisdictional allocations.

After extensive settlement negotiations and public proceedings, the NMPRC issued a Revised Order Partially Adopting Certification of Stipulation dated January 10, 2018 (the "Revised Order"). The key terms of the Revised Order include:

- An increase in base non-fuel revenues totaling $10.3 million, which includes a reduction to reflect the impact of the decrease in the federal corporate income tax rate and updates to PNM's cost of debt (aggregating an estimated $47.6 million annually)
- A ROE of 9.575%
- Returning to customers over a three-year period the benefit of the reduction in the New Mexico corporate income tax rate to the extent attributable to PNM's retail operations (Note 18)
- Disallowing PNM's ability to collect an equity return on certain investments aggregating $148.1 million at Four Corners, but allowing recovery with a debt-only return
- An agreement to not implement non-fuel base rate changes, other than changes related to PNM's rate riders, with an effective date prior to January 1, 2020
- A requirement to consider the prudency of PNM's decision to continue its participation in Four Corners in PNM's next general rate case filing

In accordance with the settlement agreement and the NMPRC's final order, PNM implemented 50% of the approved increase for service rendered beginning February 1, 2018 and implemented the rest of the increase for service rendered beginning January 1, 2019.

On December 29, 2020, Sierra Club filed a motion asking the NMPRC to re-open the NM 2016 Rate Case for the limited purpose of conducting a prudence review of certain Four Corners investments that were deferred at the conclusion of the case. In the alternative, Sierra Club requested that the NMPRC order that the deferred prudence review be conducted in the Four Corners Abandonment Application, filed on January 8, 2021. On February 10, 2021, the NMPRC rejected Sierra Club's motion to re-open the NM 2016 Rate Case and stated that issues on whether the terms of the ETA provide an opportunity for consideration of prudence for Four Corners undepreciated investments included in a financing order or what effects the rates approved in the NM 2016 Rate Case may have on determining energy transition cost should be considered in the Four Corners Abandonment Application. See discussion regarding PNM's Four Corners Abandonment Application discussed below.

Renewable Energy Portfolio Standard

As discussed in Note 16, the ETA, enacted on June 14, 2019 amends the REA including removal of diversity requirements and certain customer caps and exemptions relating to the application of the RPS under the REA.

The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures that utilities recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The ETA sets a RCT of $60 per MWh using an average annual levelized resource cost basis. PNM makes renewable procurements consistent with the NMPRC approved plans and recovers certain renewable procurement costs from customers through the renewable energy rider billed on a per KWh basis.

Included in PNM's approved procurement plans are the following renewable energy resources:

- 158 MW of PNM-owned solar-PV facilities
- A PPA through 2044 for the output of New Mexico Wind, having a current aggregate capacity of 200 MW, and a PPA through 2035 for the output of Red Mesa Wind, having an aggregate capacity of 102 MW
- A PPA through 2040 for 140 MW of output from La Joya Wind II
- A PPA through 2042 for the output of the Lightning Dock Geothermal facility with a current capacity of 11 MW
- Solar distributed generation, aggregating 201.2 MW at December 31, 2021, owned by customers or third parties from whom PNM purchases any net excess output and RECs

On June 3, 2019, PNM filed its 2020 renewable energy procurement plan. The plan requested approval of a 20-year PPA to purchase 140 MW of renewable energy and RECs from La Joya Wind II. PNM's 2020 renewable energy procurement plan requested a variance from the RPS for 2020 and proposed the shortfall be met with excess RECs available under the La Joya Wind II PPA in 2021. PNM also submitted proposed adjustments to the current FPPAC methodology for non-renewable fuel allocations to reflect the ETA's removal of certain customer cost caps associated with the RPS and requested that the fuel clause year be reset to correspond to the January 1 reset date under the renewable energy rider. On December 2, 2019, the hearing examiner issued a recommended decision in the case recommending approval of PNM's 2020 renewable energy procurement plan including La Joya Wind II. On January 29, 2020, the NMPRC accepted the hearing examiner's recommended decision and approved PNM's 2020 renewable energy procurement plan, effective February 1, 2020.

On June 1, 2020, PNM filed its 2021 renewable energy procurement plan. In the plan, PNM proposed to collect a revenue requirement of approximately $67.8 million through the renewable energy rider, including recovery of a regulatory asset of $2.3 million for costs of administering PNM's Sky Blue voluntary renewable energy program that PNM has not been able to collect from Sky Blue participants. The Sky Blue regulatory asset of $2.3 million included carrying charges of 8.64% totaling approximately $0.7 million. PNM did not propose any new procurements in the plan. On November 18, 2020 the NMPRC issued a final order approving the 2021 renewable energy procurement plan and recovery of $65.5 million through the rider in 2021, which reflected the NMPRC's rejection of PNM's request to recover the $2.3 million Sky Blue regulatory asset in 2021, effective January 1, 2021. The NMPRC denied PNM's request to recover the regulatory asset, in part, because PNM did not adequately account for the renewable energy certificates associated with the regulatory asset. The NMPRC indicated that it will initiate a separate proceeding on the subject of whether the Sky Blue program should continue in its current form, be modified, or be terminated. The NMPRC also placed conditions on PNM's ability to recover the Sky Blue regulatory asset from all customers, rather than from program participants, in a future proceeding, including that the carrying charge associated with the regulatory asset be reduced from 8.64% to 4% and that PNM be prohibited from collecting carrying charges from the date of the final order. However, PNM is permitted to seek recovery of carrying charges for the full 8.64% through the current Sky Blue program.

On June 1, 2021 PNM filed its 2022 renewable energy procurement plan which proposed to collect $66.9 million for the year. PNM did not propose any new procurements in the plan, but proposed to retire a small number of RECs in 2022 from resources that had not been previously approved as part of the RPS plan. The NMPRC assigned this matter to a hearing examiner and a hearing was held on September 30, 2021. On October 15, 2021, NMPRC Staff and PNM jointly filed the post-hearing brief stating that pending issues to the case had been resolved with PNM agreeing to certain compliance provisions. On October 30, 2021 the hearing examiner issued a recommended decision recommending approval of PNM's filing. On November 17, 2021 the NMPRC issued a final order adopting the recommended decision. The 2022 renewable energy procurement plan became effective on January 1, 2022.

The following sets forth PNM's revenues recorded for the renewable energy rider:

Year Ended	Annual Revenues
	(In millions)
2019	$52.0
2020	56.4
2021	61.7

Under the renewable rider, if PNM's earned rate of return on jurisdictional equity in a calendar year, adjusted for items not representative of normal operations, exceeds the NMPRC-approved rate by 0.5%, PNM is required to refund the excess to customers during May through December of the following year. PNM did not exceed such limitation in 2020 and does not expect to exceed the limitation in 2021. The NMPRC currently has an open inquiry docket into the continued use of renewable riders by New Mexico utilities. PNM is unable to predict the outcome of the NMPRC's inquiry.

Energy Efficiency and Load Management

Program Costs and Incentives/Disincentives

The New Mexico Efficient Use of Energy Act ("EUEA") requires public utilities to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. The EUEA requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. The NMPRC has adopted a rule to implement this act. PNM's costs to implement approved programs and incentives are recovered through a rate rider. During the 2019 New Mexico legislative session, the EUEA was amended to, among other things, include a decoupling mechanism for disincentives, preclude a reduction to a utility's ROE based on approval of disincentive or incentive mechanisms, establish energy savings targets for the period 2021 through 2025, and require that annual program funding be 3% to 5% of an electric utility's annual customer bills excluding gross receipt taxes, franchise and right-of-way access fees, provided that a customer's annual cost not exceed seventy-five thousand dollars.

In 2019, PNM submitted a filing to address incentives to be earned in 2020. PNM's proposed incentive mechanism was similar to that approved for 2018 and 2019 with minor modifications to reflect input from interested parties. The proposed incentive mechanism includes a base incentive of 7.1% of program costs, or approximately $1.8 million, based on savings of 59 GWh in 2020 with a sliding scale that provides for additional incentive if savings exceed 68 GWh. No hearings were considered necessary and PNM's 2020 energy efficiency rider reflecting the 2020 incentive became effective beginning December 30, 2019. On April 15, 2021, PNM filed its 2020 Energy Efficiency Annual Report which reconciles the actual 2020 profit incentive collections with the profit incentive authorized by the NMPRC resulting in an additional $0.8 million incentive collected during the remainder of 2021. The additional incentive was authorized for 2020 because annual energy savings for the year exceeded 87 GWh and was the maximum level of profit incentive allowed under the approved mechanism. PNM began collecting the additional incentive effective May 27, 2021.

On April 15, 2020, PNM filed an application for energy efficiency and load management programs to be offered in 2021, 2022, and 2023. The proposed program portfolio consists of twelve programs with a total annual budget of $31.4 million in 2021, $31.0 million in 2022, and $29.6 million in 2023. The application also sought approval of an annual base incentive of 7.1% of the portfolio budget if PNM were to achieve energy savings of at least 80 GWh in a year. The proposed incentive would increase if PNM is able to achieve savings greater than 80 GWh in a year. The application also proposed an advanced metering infrastructure ("AMI") pilot program, which included the installation of 5,000 AMI meters at a cost of $2.9 million. PNM proposed the pilot program to comply with an NMPRC order denying PNM's February 2016 application to replace its existing customer metering equipment with AMI. PNM did not recommend the AMI pilot program due to the limited benefits that are cost-effective under a pilot structure. On September 17, 2020, the hearing examiner in the case issued a recommended decision recommending that PNM's proposed energy efficiency and load management program be approved, with the exception of the proposed AMI pilot program. On October 28, 2020 the NMPRC issued an order adopting the recommended decision in its entirety.

2020 Decoupling Petition

As discussed above, the legislature amended the EUEA to, among other things, include a decoupling mechanism for disincentives. On May 28, 2020, PNM filed a petition for approval of a rate adjustment mechanism that would decouple the rates of its residential and small power rate classes. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the utility through volumetric charges. PNM proposed to record the difference between the annual revenue per customer derived from the cost of service approved in the NM 2015 Rate Case and the annual revenue per customer actually recovered from the rate classes beginning on January 1, 2021. If approved, PNM would collect the difference from customers if the revenue per customer from the NM 2015 Rate Case exceeds the actual revenue recovered, or return the difference to customers if the actual revenue per customer recovered exceeds the revenue per customer from the NM 2015 Rate Case. On July 13, 2020, NEE, ABCWUA, the City of Albuquerque, and Bernalillo County filed motions to dismiss the petition on the grounds that approving PNM's proposed rate adjustment mechanism outside of a general rate case would result in retroactive ratemaking and piecemeal ratemaking. The motions to dismiss also allege that PNM's proposed rate adjustment mechanism is inconsistent with the EUEA. Responses to the motions to dismiss were filed on August 7, 2020. On September 16, 2020, ABCWUA, Bernalillo County, CCAE, the City of Albuquerque, NEE, NMAG, NMPRC Staff ("Staff"), and WRA filed testimony. CCAE and WRA supported PNM's petition, but recommended that the rate adjustment mechanism not take effect until new rates are approved in PNM's next general rate case. The other parties filing testimony opposed PNM's petition. On October 2, 2020, PNM requested an order to vacate the public hearing, scheduled to begin October 13, 2020, and staying the proceeding until the NMPRC decides whether to entertain a petition to issue a declaratory order resolving the issues raised in the motions to dismiss. On October 7, 2020, the hearing examiner approved PNM's request to stay the proceeding and vacate the public hearing and required PNM to file a petition for declaratory order by October 30, 2020. On October 30, 2020, PNM filed a petition for declaratory order asking the NMPRC to issue an order finding that full revenue decoupling is authorized by the EUEA. On November 4, 2020, ABCWUA and Bernalillo County jointly filed a competing petition asking the NMPRC to issue a declaratory order on the EUEA's requirements related to disincentives. On November 24, 2020, the NMAG requested that the NMPRC deny both petitions for declaratory orders and instead address disincentives under the EUEA in a rulemaking. On March 17, 2021, the NMPRC issued an order granting the petitions for declaratory order, commencing a declaratory order proceeding to address the petitions, denying the NMAG's request to initiate a rulemaking, and appointing a hearing examiner to preside over the declaratory order proceeding. Initial briefs were filed on June 7, 2021 and response briefs were filed on June 28, 2021. Oral arguments were made on July 15, 2021. On January 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC find that the EUEA does not mandate the NMPRC to authorize or approve a full decoupling mechanism, defining full decoupling as limited to energy efficiency and load management measures and programs. The recommended decision also states that a utility may request approval of a rate adjustment mechanism to remove regulatory disincentives to energy efficiency and load management measures and programs through a stand-alone petition, as part of the utility's triennial energy efficiency application or a general rate case and that PNM is not otherwise precluded from petitioning for a rate adjustment mechanism prior to its next general rate case. Finally, the recommended decision stated that the EUEA does not permit the NMPRC to reduce a utility's ROE based on approval of a disincentive removal mechanism founded on removing regulatory disincentives to energy efficiency and load management measures and programs. The recommended decision does not specifically prohibit a downward adjustment to a utility's capital structure, based on approval of a disincentive removal mechanism. On January 27, 2022, PNM filed exceptions to the recommended decision and response exceptions were filed on February 4, 2022. PNM cannot predict the outcome of this matter.

Integrated Resource Plans

NMPRC rules require that investor-owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period.

2020 IRP

NMPRC rules required PNM to file its 2020 IRP in July 2020. On March 16, 2020, PNM filed a motion to extend the deadline to file its 2020 IRP to six months after the NMPRC issues a final order approving a replacement resource portfolio and closes the docket in the bifurcated SJGS Abandonment Application and replacement resource proceedings. On April 8, 2020, the NMPRC approved PNM's motion to extend the deadline to file its 2020 IRP as requested. On January 29, 2021, PNM filed its 2020 IRP addressing the 20-year planning period, from 2020 through 2040. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. On May 24, 2021, the hearing examiner issued a procedural schedule and required PNM, upon request, to provide modeling data and assumptions to parties within two weeks. Additionally, PNM was required upon request, to run modeling or provide reasonable access to PNM virtual machines at PNM's expense. The alternative modeling deadline concluded on August 30, 2021 and Staff's recommendation was filed on November 12, 2021. The recommendation found that PNM has met the requirements of the IRP rule, but not the requirements of the NM 2016 Rate Case.

Abandonment Applications made under the ETA

As discussed in Note 16, the ETA sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources. The ETA also provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023, for facilities operated by a "qualifying utility," or prior to January 1, 2032, for facilities that are not operated by the qualifying utility.

SJGS Abandonment Application

On January 30, 2019, the NMPRC issued an order initiating a proceeding and requiring PNM to submit an application for the abandonment of PNM's share of SJGS by March 1, 2019. On July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the "SJGS Abandonment Application"). The SJGS Abandonment Application sought NMPRC approval to retire PNM's share of SJGS after the existing coal supply and participation agreements end in June 2022, for approval of replacement resources, and for the issuance of energy transition bonds. PNM's application proposed several replacement resource scenarios. The SJGS Abandonment Application also included a request to issue approximately $361 million of energy transition bonds (the "Securitized Bonds"). PNM's request for the issuance of Securitized Bonds included approximately $283 million of forecasted undepreciated investments in SJGS at June 30, 2022, an estimated $28.6 million for plant decommissioning and coal mine reclamation costs, approximately $9.6 million in upfront financing costs, and approximately $20.0 million for job training and severance costs for affected employees. Proceeds from the Securitization Bonds would also be used to fund approximately $19.8 million for economic development in the four corners area.

On July 10, 2019, the NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing, and the other addressing replacement resources. The NMPRC indicated that PNM's July 1, 2019 filing is responsive to the January 30, 2019 order. Hearings on the abandonment and securitized financing proceedings were held in December 2019 and hearings on replacement resources were held in January 2020. On February 21, 2020, the hearing examiners issued two recommended decisions recommending approval of PNM's proposed abandonment of SJGS, subject to approval of replacement resources, and approval of PNM's proposed financing order to issue Securitized Bonds. The hearing examiners recommended that PNM be authorized to abandon SJGS by June 30, 2022, and to record regulatory assets for certain other abandonment costs that are not specifically addressed under the provisions of the ETA to preserve its ability to recover the costs in a future general rate case. The hearing examiner recommended that this authority only extend to the deferral of the costs and it not be an approval of any ratemaking treatment. The hearing examiners also recommended PNM be authorized to issue Securitized Bonds of up to $361 million and establish a rate rider to collect non-bypassable customer charges for repayment of the bonds and be subject to bi-annual adjustments (the "Energy Transition Charge"). The hearing examiners recommended an interim rate rider adjustment upon the start date of the Energy Transition Charge to provide immediate credits to customers for the full value of PNM's revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the hearing examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, economic development, and workforce training. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the related securitized financing under the ETA.

On April 10, 2020, CFRE and NEE filed a notice of appeal with the NM Supreme Court of the NMPRC's approval of PNM's request to issue securitized financing under the ETA. The NM Supreme Court granted motions to intervene filed by PNM, WRA, CCAE, and the Sierra Club. On May 8, 2020, CFRE and NEE filed a joint statement of issues with the NM Supreme Court which asserts that the NMPRC improperly applied the ETA and that the ETA violates the New Mexico Constitution. On June 19, 2020, WRA filed a motion to dismiss CFRE and NEE's constitutional challenges to the ETA on the ground that the New Mexico Constitution provides that only New Mexico district courts have original jurisdiction over the claims. On July 24, 2020, the NM Supreme Court issued an order denying WRA's motion to dismiss. On August 17, 2020, the appellants filed a Brief in Chief and on October 5, 2020, PNM, WRA, CCAE, and Sierra Club filed Answer Briefs. On January 10, 2022, the NM Supreme Court issued its decision rejecting CFRE's and NEE's constitutional challenges to the ETA and affirmed the NMPRC final order. On February 28, 2022, WRA and CCAE filed a Joint Motion for Order to Show Cause and Enforce Financing Order and Supporting Brief, which requests that the NMPRC order PNM to show cause why its rates should not be reduced at the time SJGS is abandoned, and to otherwise enforce the NMPRC's April 1, 2020 final order.

PNM evaluated the consequences of the NMPRC's April 1, 2020 orders approving the abandonment of SJGS and the related issuance of Securitized Bonds. This evaluation indicated that it is probable that PNM will be required to fund severances for PNM employees at the facility upon its retirement in 2022 and for PNMR shared services employees providing administrative and other support services to SJGS. In addition, the evaluation indicated that it is probable PNM will be obligated to fund severances and other costs for the WSJ LLC employees and to fund certain state agencies for economic development and workforce training upon the issuance of the Securitized Bonds. As a result, in March 2020, PNMR and PNM recorded obligations of $9.4 million and $8.1 million for estimated severances, $8.9 million for obligations to fund severances and other costs of WSJ LLC employees, and to fund $19.8 million to state agencies for economic development and workforce training upon the issuance of the Securitized Bonds. The total amount recorded for these estimates of $38.1 million and $36.8 million is reflected in other deferred credits and as a corresponding deferred regulatory asset on PNMR's and PNM's Consolidated Balance Sheets at December 31, 2020. PNM revised its estimates in 2021 and $36.9 million and $36.0 million is reflected in other current liabilities and as a corresponding deferred regulatory asset on PNMR's and PNM's Consolidated Balance Sheets at December 31, 2021. These estimates may be adjusted in future periods as the Company refines its expectations.

On June 24, 2020, the hearing examiners issued a recommended decision on PNM's request for approval of replacement resources that addressed the entire portfolio of replacement resources, which superseded a previous partial recommended decision issued on March 27, 2020. The hearing examiners concluded that the ultimate selection of a portfolio of replacement resources involves policy considerations that are the province of the NMPRC and stated that they did not intend to make that decision for the NMPRC. On July 29, 2020, the NMPRC issued an order approving resource selection criteria identified in the ETA that would include PPAs for 650 MW of solar and 300 MW of battery storage. The order also granted in part PNM's request for an extension of time for PNM to file the application to implement the replacement resource portfolio. PNM had 60 days from the date of the order to file an application in a separate docket seeking approval of the proposed final executed contracts, for any replacement resources not in evidence that had been approved by the NMPRC.

On September 28, 2020, PNM filed its application for approval of the final executed contracts for the replacement resources. In addition, PNM provided updated costs estimates of $8.1 million for the SJGS replacement resources, based on the NMPRC authorization to create regulatory assets granted in the abandonment order, which it plans to seek recovery of in a future general rate case. On November 13, 2020, the hearing examiner issued a recommended decision recommending approval of a 200 MW solar PPA combined with a 100 MW battery storage agreement and the 100 MW solar PPA combined with a 30 MW battery storage agreement. On December 2, 2020 the NMPRC issued an order adopting the recommended decision in its entirety.

Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects. All four project developers have notified PNM that completion of the projects will be delayed and no longer available for most, if any of the 2022 summer peak load period. The delays in the SJGS replacement resources, coupled with the abandonment of SJGS Units 1 and 4 present a risk that PNM will have insufficient operational resources to meet the 2022 summer peak to reliably serve its customers if PNM is unable to find additional generation resources. PNM entered into three agreements to purchase power from third parties in the second half of 2021 to minimize potential impacts to customers; the purchase of 85 MW, unit contingent from Four Corners for June through September of 2022; the purchase of 150 MW, firm power in June and September 2022; and the purchase of 40 MW, unit contingent from PVNGS Unit 3 for the full year of 2022. Even after accounting for these additional contracts, PNM projected a system reserve margin ranging from 0.9% to (3.4%) during the 2022 summer peak. As a result, on February 17, 2022, PNM filed a Notice and Request for Modification to or Variance from Abandonment Date for SJGS Unit 4 with the NMPRC. The filing provided notice that PNM had obtained agreement from the SJGS owners and WSJ LLC to extend operation of Unit 4 until September 30, 2022. SJGS Unit 4 will provide 327 MW of capacity and improve PNM's projected system reserve margin ranging from approximately 17.4% to 9.8%. On February 23, 2022, the NMPRC issued an order finding that PNM did not require NMPRC approval to extend operation of SJGS Unit 4 for an additional three-month period. The NMPRC's order states that issues regarding the prudence or reasonableness of the decisions and actions taken by PNM and recoverably of costs related to the continued operation of SJGS Unit 4, including fuel costs collected through PNM's FPPAC, shall be subject to review in a future proceeding. On February 25, 2022, the amended SJGS participation agreement was filed with FERC. PNM cannot predict the outcome of this matter.

Four Corners Abandonment Application

On November 1, 2020, PNM entered into the Four Corners Purchase and Sale Agreement with NTEC, pursuant to which PNM will sell its 13% ownership interest (other than certain transmission assets) in Four Corners to NTEC. The sale is contingent upon NMPRC approval and expected to close by the end of 2024. In connection with the sale, PNM would make payments of $75.0 million to NTEC for relief from its obligations under the coal supply agreement for Four Corners after December 31, 2024. Pursuant to the Four Corners Purchase and Sale Agreement, PNM will retain its current plant decommissioning and coal mine reclamation obligations. PNM made an initial payment to NTEC of $15.0 million in November 2020, subject to refund with interest upon termination of the Four Corners Purchase and Sale Agreement prior to closing. Under the terms of the Four Corners Purchase and Sale Agreement, upon receipt of the NMPRC approval, PNM would make a final payment of $60.0 million. The initial $15.0 million payment was recorded in other deferred charges and other current assets on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's share of Four Corners as of December 31, 2024, and issuance of approximately $300 million of energy transition bonds as provided by the ETA. PNM's request for the issuance of Securitized Bonds included approximately $272 million of forecasted undepreciated investments in Four Corners at December 31, 2024, an estimated $4.6 million for plant decommissioning costs, an estimated $7.3 million in upfront financing costs, and an estimated $16.5 million in economic development. PNM intends to submit a separate application for NMPRC approval of a replacement resource portfolio following NMPRC action on this application.

On January 26, 2021, Sierra Club filed a motion in the Four Corners Abandonment Application requesting that the NMPRC order PNM to file supplemental testimony addressing the prudence of Four Corners investments or alternatively that the NMPRC dismiss the Four Corners Abandonment Application and permit PNM to refile after the prudence issue is resolved. In addition, on January 28, 2021, NEE and CFRE filed a motion requesting that the NMPRC dismiss the application, stating that approval of the abandonment would be contrary to the provision of the REA that prevents the sale of carbon dioxide emitting electricity-generating resources as a means of complying with the RPS, and that the Four Corners Abandonment Application does not demonstrate that the sale of 200 MW to NTEC will not result in a net detriment to public interest. Parties filed positions on the sufficiency of PNM's application on February 11, 2021. On February 18, 2021, PNM filed a consolidated response to the motions and the positions on the sufficiency of the application which defended the legal sufficiency of PNM's application and addressed potential amendments to the application and testimonies. On February 26, 2021, the hearing examiner issued an order on the sufficiency of the Four Corners Application finding that the application was deficient on its face and fails to adequately support whether or not the sale and transfer of PNM's interest in Four Corners to NTEC is in the public interest. However, given the NMPRC's preference to address Four Corners issues in the case, as well as PNM's concession on filing an amended application, the hearing examiner did not recommend that the case be dismissed. The order required PNM to file an amended application by March 15, 2021; established that the nine-month period for review of the amended application shall start on the date of PNM’s filing of the amended application and run through December 15, 2021; required PNM to file supplemental testimony addressing the prudence of its investment in Four Corners; required PNM to more explicitly address the statutory standards for approval of the proposed transfer to NTEC; and required PNM to file a motion to withdraw the January 8, 2021 Four Corners Application. On March 15, 2021, PNM filed an amended application and supplemental testimony for the approval of the abandonment and transfer of Four Corners and issuance of a financing order pursuant to the ETA and a motion to withdraw the January 8, 2021 Four Corners Application. The amended application and supplemental testimony provided additional information to support PNM's request to abandon its interest in Four Corners and transfer that interest to NTEC, and also provided additional detail explaining how the proposed sale and abandonment provides a net public benefit.

On May 17, 2021 NEE and CFRE (“Joint Movants”) again filed motions to dismiss the case, providing reasons which include; PNM's failure to disclose the reason for the divestiture in the plant is the Merger; the application is deficient because PNM has failed to produce the seasonal operation agreement with the other Four Corners owners; and reiterated their prior view that PNM's amended application is contrary to the REA. Also on May 17, 2021, CCAE filed a motion to dismiss the case stating that PNM's application is devoid of any discussion of the assumption of liabilities by NTEC pertaining to PNM's share of Four Corners. On May 18, 2021, San Juan Citizens Alliance/Dine Care and the Native American Voters Alliance Education Project (“NAVAEP”) filed a joinder supporting CCAE's motion. On June 1, 2021, PNM filed responses to the Joint Movants' and CCAE motions to dismiss and filed a motion to strike portions of the Joint Movants' and CCAE's motions to dismiss. PNM's motion states that the Joint Movants and CCAE rely upon materials beyond the pleadings in the case and within the record in other proceedings to support their motions. On June 14, 2021, the hearing examiner issued an order denying the motions to dismiss from NEE, CFRE and CCAE.

A hearing began August 31, 2021, briefs were filed October 1, 2021 and response briefs were filed October 13, 2021. On November 12, 2021, the hearing examiner issued a recommended decision recommending approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 15, 2021, the NMPRC issued a final order rejecting the hearing examiners recommended decision and denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. In its order, the NMPRC concluded that PNM needed to conduct a review of the actual replacement resource portfolio and determined that the record was insufficient to determine the prudence of PNM’s investments in Four Corners. On December 22, 2021, PNM filed a Notice of Appeal with the NM Supreme Court of the NMPRC decision to deny the application. On January 21, 2022, PNM filed a statement of issues outlining the arguments for appeal asserting, among other things, that the NMPRC misinterpreted and improperly applied the ETA in concluding that the NMPRC needed to review the actual replacement resource portfolio before authorizing abandonment and that the NMPRC improperly deferred the issue of prudence with respect to certain of PNM’s investments in Four Corners, where other parties were given the opportunity to present evidence and failed to demonstrate PNM was imprudent in its decisions.

On October 30, 2020, NEE filed a formal complaint with the NMPRC seeking an investigation into the reasonableness and lawfulness of PNM’s continued reliance on “climate-altering and uneconomic coal” at Four Corners. NEE explained that they withdrew their NM Supreme Court appeal of the NM 2016 Rate Case under the notion that PNM would be filing a rate case in 2019 and they would be able to challenge the Four Corners expenditures in that case. NEE explained that because PNM has delayed its rate case several times, Four Corners has remained “imprudently” in rates. NEE asked that PNM be required to demonstrate that PNM’s investment in Four Corners was prudent. NEE stated if the NMPRC deems PNM’s investment as imprudent, ratepayers will be held harmless and all costs including carrying charges, effective October 30, 2020, and going forward, be denied. On February 10, 2021, the NMPRC denied NEE’s complaint and stated that issues related to Four Corners prudence should be addressed in the Four Corners Abandonment Application. On February 22, 2021, NEE filed a Motion for Reconsideration of the NMPRC’s February 10, 2021 order, which was denied on March 10, 2021. On April 9, 2021, NEE filed a Notice of Appeal with the NM Supreme Court regarding their formal complaint on Four Corners. On July 6, 2021, NEE filed a motion to withdraw its Notice of Appeal with the NM Supreme Court. On September 21, 2021, the NM Supreme Court issued its order granting NEE's motion to withdraw its appeal; the court also issued a mandate to the NMPRC to take further action as might be needed consistent with the order.

GAAP requires a loss be recognized when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2021, PNM evaluated the NMPRC order in the Four Corners Abandonment Application and determined it was reasonably possible that PNM would be successful in recovery of its undepreciated investment in a future proceeding. Therefore, no loss has been recorded.

The financial impact of an early exit of Four Corners and the NMPRC approval process are influenced by many factors outside of PNM’s control, including the overall political and economic conditions of New Mexico. See additional discussion of the ETA in Note 16. PNM cannot predict the outcome of these matters.

PVNGS Leased Interest Abandonment Application

On April 2, 2021, PNM filed an application with the NMPRC requesting approval for the decertification and abandonment of 114 MW of leased PVNGS capacity, sale and transfer of related assets, and approval to procure new resources (“PVNGS Leased Interest Abandonment Application”). As discussed in Note 8, PNM currently controls leased capacity in PVNGS Unit 1 and Unit 2 under five separate leases (“Leased Interest”) that were approved and certificated by the predecessor agency to the NMPRC in the 1980s. Four of the five leases for 104 MW of Leased Interest terminate on January 15, 2023, while the remaining lease for 10 MW of Leased Interest terminates on January 15, 2024. Associated with the Leased Interest are certain PNM-owned assets and nuclear fuel that are necessary for the ongoing operation and maintenance of the Leased Interest and integration of the Leased Interest generation to the transmission network. PNM has determined that there will be net benefits to its customers to return the Leased Interest to the lessors in conformity with the leases, sell and transfer the related PNM-owned assets, and to replace these Leased Interest with new resources. In the application, PNM is requesting NMPRC authorization to decertify and abandon its Leased Interest and to create regulatory assets for the associated remaining undepreciated investments with consideration of cost recovery of the undepreciated investments in a future rate case. PNM is also seeking NMPRC approval to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP, which will be acquiring the Leased Interest from the lessors upon termination of the existing leases. In addition, PNM is seeking NMPRC approval for a 150 MW solar PPA combined with a 40 MW battery storage agreement, and a stand-alone 100 MW battery storage agreement to replace the Leased Interest. To ensure system reliability and load needs are met in 2023, when a majority of the leases expire, PNM is also requesting NMPRC approval for a 300 MW solar PPA combined with a 150 MW battery storage agreement. PNM's application sought a six-month regulatory time frame.

On April 21, 2021, the NMPRC issued an order assigning a hearing examiner and stated PNM's request to abandon the Leased Interest does not have any statutory or rule time limitation and the six-month limit in which the NMPRC must issue an order regarding the request for approvals of the solar PPAs and battery storage agreements does not begin until after the NMPRC acts on the abandonment request. The NMPRC’s April 21, 2021, order also stated that issues reserved to a separate proceeding in the NM 2015 Rate Case regarding the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 shall be addressed in this case and PNM shall file testimony addressing the issue. On June 14, 2021 and June 25, 2021, PNM filed supplemental testimony responding to questions provided by the hearing examiner. On June 28, 2021, NEE and CCAE jointly filed a motion to dismiss a portion of the application claiming that since PNM's request to abandon the Leased Interest was filed after PNM had already provided irrevocable notice it would not acquire the Leased Interest, abandonment is no longer required. On July 28, 2021, the hearing examiner issued a recommended decision on NEE's and CCAE's joint motion to dismiss, recommending dismissal of PNM's requests for approval to abandon and decertify the Leased Interest; dismissal of PNM's request for approval to sell and transfer the related assets; and dismissal of PNM's request to create regulatory assets for the associated remaining undepreciated investments, but did not preclude PNM seeking recovery of the costs in a general rate case in which the test year period includes the time period in which PNM incurs such costs. The hearing examiner's recommended decision further provides that PNM's request for replacement and system reliability resources and the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 should remain within the scope of this case.

On August 25, 2021, the NMPRC issued an order granting portions of the July 28, 2021 recommended decision that were not contested related to dismissal of PNM's request for approval to abandon and decertify the Leased Interest and dismissal of PNM's request for approval to sell and transfer the related assets. In addition, the order bifurcated the issue of approval for the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously. On September 8, 2021 the NMPRC issued an order on the remaining issues in the recommended decision. The order found that PNM's request for a regulatory asset to record costs associated with obtaining an abandonment order should be dismissed. However, the requests for regulatory assets associated with the remaining undepreciated investments should be addressed at an evidentiary hearing. On September 20, 2021, ABCWUA, Bernalillo County, NEE and the NMAG filed a joint motion to reconsider the September 8, 2021 NMPRC order. Also, on September 20, 2021, PNM filed a motion for rehearing of the September 8, 2021 order stating that certain requirements of the order would lead to compromising PNM's First Amendment rights. On October 6, 2021, the NMPRC issued an order granting the motions for reconsideration and vacated the September 8, 2021 order, without specifically addressing issues raised in the motions.

The hearing on the two PPAs and three battery storage agreements was held on November 12 and 15, 2021 and December 3, 2021 and post-hearing briefing was completed on January 18, 2022. On February 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC approve the 150 MW solar PPA combined with a 40 MW battery storage agreement, the stand-alone 100 MW battery storage agreement, and the 300 MW solar PPA combined with a 150 MW battery storage agreement. On February 16, 2022, the NMPRC adopted an order approving the recommended decision.

In addition to approval by the NMPRC, PNM and SRP received NRC approval for the transfer of the associated possessory licenses at the end of the term of each of the respective leases. PNM cannot predict the outcome of this matter.

Cost Recovery Related to Joining the EIM

The CAISO developed the EIM as a real-time wholesale energy trading market that enables participating electric utilities to buy and sell energy. The EIM aggregates the variability of electricity generation and load for multiple balancing authority areas and utility jurisdictions. In addition, the EIM facilitates greater integration of renewable resources through the aggregation of flexible resources by capturing diversity benefits from the expanded geographic footprint and the expanded potential uses for those resources.

PNM completed a cost-benefit analysis of participating in the EIM. PNM's analysis indicated participation in the EIM would provide substantial benefits to retail customers. In 2018, PNM filed an application with the NMPRC requesting, among other things, to recover an estimated $20.9 million of initial capital investments and authorization to establish a regulatory asset to recover an estimated $7.4 million of other expenses that would be incurred in order to join the EIM. PNM's application proposed the regulatory asset be adjusted to provide for full recovery of such costs, including carrying charges, until the effective date of new rates in PNM's next general rate case. PNM's application also proposed the benefits of participating in the EIM be credited to retail customers through PNM's existing FPPAC and that PNM would seek recovery of its costs in a future proceeding. On December 19, 2018, the NMPRC issued an order approving the establishment of a regulatory asset to recover PNM's cost of joining the EIM, which was subsequently challenged by several parties. On February 6, 2019, the NMPRC issued an order granting rehearing and vacating the December 19, 2018 order. On March 18, 2019, the hearing examiner issued an updated recommended decision recommending approval of the establishment of a regulatory asset but deferring certain rate making issues, including but not limited to issues related to implementation and ongoing EIM costs and savings, the prudence and reasonableness of costs to be included in the regulatory asset, and the period over which costs would be charged to customers until PNM's next general rate case filing, which was approved by the NMPRC. PNM and other parties filed a joint motion requesting the NMPRC clarify that the quarterly benefits reports prepared by CAISO be used to determine the benefits of participating in the EIM, as well as to support the prudence of costs incurred to join the EIM. On April 24, 2019, the NMPRC issued an order granting the joint motion for clarification and indicating the CAISO quarterly benefits reports may be used in a future rate case. PNM joined and began participating in the EIM in April 2021.

Meta Platforms, Inc. Data Center Project

PNM has a special service contract to provide service to Meta, Inc. for a data center in PNM's service area. Meta's service requirements include the acquisition by PNM of a sufficient amount of new renewable energy resources and RECs to match the energy and capacity requirements of the data center. The cost of renewable energy procured is passed through to Meta under a rate rider. A special service rate is applied to Meta's energy consumption in those hours of the month when their consumption exceeds the energy production from the renewable resources. As of December 31, 2021, PNM is procuring energy from 130 MW of solar-PV capacity from NMRD, a 50% equity method investee of PNMR Development. See additional discussion of NMRD in Note 21.

PNM has NMPRC approval for additional 25-year PPAs to purchase renewable energy and RECs to supply renewable energy to the data center. These PPAs include the purchase of the power and RECs from:

- Casa Mesa Wind, LLC, a subsidiary of NextEra Energy Resources, LLC, which is located near House, New Mexico, has a total capacity of 50 MW, and became operational in November 2018
- 166 MW from La Joya Wind I, owned by Avangrid Renewables, LLC, which is located near Estancia, New Mexico and began commercial operational in February 2021
- Route 66 Solar Energy Center, LLC, a subsidiary of NextEra Energy Resources, LLC, which is expected to be located west of Albuquerque, New Mexico, have a total capacity of 50 MW, and is expected to be operational in 2022
- Two PPAs to purchase renewable energy and RECs from an aggregate of approximately 100 MW of capacity from two solar-PV facilities to be owned and operated by NMRD. The first 50 MW of these facilities began commercial operation in December 2019 and the remaining capacity began commercial operation in July 2020.

On February 8, 2021, PNM filed an application with the NMPRC for approval to service the data center for an additional 190 MW of solar PPA combined with 100 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. On June 16, 2021, a hearing was held by the NMPRC with closing statements filed on June 21, 2021. On June 23, 2021, the NMPRC issued an Order for Continuance, stating concerns with the proposed addendum to the special service contract and its methodology for calculating a credit to Meta for the capacity supplied by the 100 MW battery storage agreement. On July 28, 2021, the NMPRC approved the solar PPAs for 190 MW and 50 MW; approved only 50 MW of the requested 100 MW battery storage; and rejected the proposed addendum to the special service contract and its methodology for calculating a credit to Meta for the capacity supplied by the battery storage. On October 1, 2021, in compliance with the final order, PNM filed a Notice of Filing Amendments recognizing that the battery storage is 50 MW instead of 100 MW and PPA and battery storage requirements for approval of the addendum to the special service contract is waived. This matter is now concluded.

PNM Solar Direct

On May 31, 2019, PNM filed an application with the NMPRC for approval of a program under which qualified governmental and large commercial customers could participate in a voluntary renewable energy procurement program. PNM proposed to recover costs of the program directly from subscribing customers through a rate rider. Under the rider, PNM would procure renewable energy from 50 MW of solar-PV facilities under a 15-year PPA. PNM had fully subscribed the entire output of the 50 MW facilities at the time of the filing. Hearings on the application concluded on January 9, 2020. On March 11, 2020, the hearing examiner issued a recommended decision recommending approval of PNM’s application. The hearing examiner’s recommended decision was approved by the NMPRC on March 25, 2020. These facilities are expected to begin commercial operations in 2022. This matter is now concluded.

Western Spirit Line

On May 1, 2019, PNM, the New Mexico Renewable Energy Transmission Authority (“RETA”), a New Mexico state authority, and Western Spirit Transmission LLC (“Western Spirit”), an affiliate of Pattern Energy Group, Inc., entered into agreements for the construction of a transmission line to transmit power generated from wind facilities to be owned by Pattern Wind. As a part of the arrangement, the parties executed a Build Transfer Agreement that would allow PNM to purchase the Western Spirit Line.

On May 10, 2019, PNM filed an application with the NMPRC requesting that the NMPRC determine that it is not unlawful or inconsistent with the public interest for PNM to purchase the Western Spirit Line. On September 11, 2019, the hearing examiner issued a recommended decision that would allow PNM to purchase the Western Spirit Line, and indicating that PNM’s proposal satisfies the NMPRC’s acquisition standards and that no CCN is required until such time that PNM seeks recovery for costs associated with the line from retail rate payers. On October 2, 2019, the NMPRC approved the recommended decision with limited modifications.

PNM also has entered into TSAs with Pattern Wind for firm transmission service. The TSAs use an incremental rate based on the construction and other ongoing costs of the Western Spirit Line, including adjustments for construction costs that Pattern Wind has chosen to self-fund under the agreement. FERC approved PNM’s TSAs with Pattern Wind effective July 9, 2019. On August 8, 2019, FERC approved PNM’s request to purchase the Western Spirit Line.

In December 2021, PNM completed the purchase of the Western Spirit Line, an approximately 150-mile 345-kV transmission line and related facilities, and service under TSAs was initiated. The total cost of the Western Spirit Line was approximately $360 million, which includes the cost of certain PNM built facilities and does not include customer self-funding of $75.0 million provided by the Western Spirit and Pattern Wind affiliates. The net cost is presented as cash flows from investing activities on the Consolidated Statement of Cash Flows for the twelve months ending December 31, 2021.

Formula Transmission Rates

PNM charges wholesale electric transmission service customers using a formula rate mechanism pursuant to which wholesale transmission service rates are calculated annually in accordance with an approved formula. The formula reflects a ROE of 10% and includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM’s annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate.

COVID-19 Regulatory Matters

In March 2020, PNM and other utilities voluntarily implemented a temporary suspension of disconnections and late payment fees for non-payment of utility bills in response to the impacts of COVID-19. On March 18, 2020, the NMPRC conducted an emergency open meeting for the purpose of adopting emergency amendments to its rules governing service to residential customers. The NMPRC’s emergency order was applicable during the duration of the Governor of New Mexico's emergency executive order and allowed for the closure of payment centers, prohibits the discontinuance of a residential customer’s service for non-payment, and suspends the expiration of medical certificates for certain customers. On April 27, 2020, PNM, El Paso Electric Company, New Mexico Gas Company, and Southwestern Public Service Company filed a joint motion with the NMPRC requesting authorization to track costs resulting from each utility's response to the COVID-19 outbreak. The utilities proposed these incremental costs and uncollected customer accounts receivable resulting from COVID-19 during the period March 11, 2020 through December 31, 2020 be recorded as a regulatory asset. On June 24, 2020, the NMPRC issued an order authorizing all public utilities regulated by the NMPRC to create a regulatory asset to defer incremental costs related to COVID-19, including increases to bad debt expense incurred during the period beginning March 11, 2020 through the termination of the Governor of New Mexico’s emergency executive order. The NMPRC order requires public utilities creating regulatory assets to pursue all federal, state, or other subsidies available, to record a regulatory liability for all offsetting cost savings resulting from the COVID-19 pandemic, and allows PNM to request recovery in future ratemaking proceedings. As a result, PNM had deferred costs related to COVID-19 of $8.8 million in regulatory assets on the Consolidated Balance Sheet at December 31, 2020. PNM still intends to seek recovery of the increased bad debt expense resulting from COVID-19 through a regulatory asset in a future general rate proceeding. As a result, PNM has deferred bad debt expense related to COVID-19 of $6.9 million in regulatory assets on the Consolidated Balance Sheet at December 31, 2021. PNM no longer intends to seek recovery of the other incremental costs in a future rate proceeding as a regulatory asset and therefore, reversed regulatory assets of $2.7 million previously deferred at December 31, 2020. In addition, PNM has cost savings related to COVID-19 of $0.9 million in regulatory liabilities on the Consolidated Balance Sheet at both December 31, 2021 and December 31, 2020.

On February 3, 2021, the NMPRC issued an order finding that the temporary mandatory moratorium on disconnections of residential utility customers would be in effect from the date of the order for 100 days, which ended May 14, 2021. At the end of the moratorium, the 90-day transition period began, which continued the temporary moratorium on disconnections to provide the utilities additional time to assist residential customers with arrearages to enter into installment agreements. On July 14, 2021, the NMPRC issued an order clarifying previous orders that the mandatory requirements of the NMPRC's previous order prohibiting residential disconnects should be voluntarily complied with by investor-owned utilities until August 12, 2021. PNM began disconnections at the end of the transition period.

Transportation Electrification Program

On December 18, 2020, in compliance with New Mexico Statute, PNM filed its PNM 2022-2023 TEP for approval with the NMPRC. PNM’s requested TEP included a budget of approximately $8.4 million with flexibility of 25%. As proposed, up to 25% of the program budget will be dedicated to low and moderate income customers and is based on a model with no company ownership of charging facilities. PNM’s proposed TEP provides incentives through rebates to both residential and non-residential customers towards the purchase of chargers and/or behind-the-meter infrastructure. PNM’s TEP includes a request for a modified rate to add an electric vehicle pilot with a time-of-use option, a new non-residential electric vehicle time-of-use rate pilot without demand charges and implementation of a new rider to collect the actual costs of the TEP. PNM’s application requested NMPRC approval by the end of August 2021 and authority to file a new TEP by the end of June 2023. On August 30, 2021, the hearing examiner issued a recommended decision approving, among other things, PNM's budget flexibility proposal, PNM's proposed pilot time-of-use rate and PNM's TEP Rider. On November 10, 2021, the NMPRC issued a final order approving PNM’s TEP.

Unexecuted Transmission Service Agreements (TSAs) with Leeward Renewable Energy

On March 12, 2021, PNM filed four unexecuted TSAs with FERC totaling 145 MW with Leeward. The unexecuted TSAs provide long-term firm, point-to-point transmission service on PNM’s transmission system. The unexecuted TSAs are based on the pro-forma transmission service agreements with certain non-conforming provisions under Attachment A of PNM’s OATT and include PNM’s OATT rate. PNM is filing the unexecuted TSAs at the request of Leeward because the parties have been unable to reach an agreement on the terms and conditions for transmission service. In particular, Leeward believes the rate under the unexecuted TSAs should be an incremental rate while PNM believes the appropriate rate is its OATT rate.

On April 2, 2021, Leeward and Pattern Wind separately protested PNM's March 12, 2021 filing of four unexecuted TSAs with Leeward. The parties are requesting that FERC direct PNM to apply the same rate to the unexecuted TSAs as the incremental rate assessed to the Western Spirit transmission facilities, inclusive of Leeward's network upgrades and requested service, or, in the alternative, initiate hearing and settlement judge procedures to address the unjust and unreasonable application of the FERC's "higher of" policy. On April 19, 2021, PNM filed a motion for leave to answer and contested the arguments made by Leeward and Pattern Wind. In its response, PNM stated that it disagrees with the parties' pricing scheme because doing so would not recognize all the transmission facilities necessary to provide Leeward service, does not hold PNM's other transmission customers harmless, and is inconsistent with FERC pricing policy and precedent. PNM further explained that the proposal to include its FERC approved embedded rate in the unexecuted TSAs is just and reasonable and should be accepted by FERC. On May 11, 2021, FERC issued an order accepting PNM's four unexecuted TSAs. In the order, FERC stated that it agreed with PNM's pricing scheme and agreed that PNM's proposal to use the OATT rate will ensure that the benefit of Leeward's addition to the system will be spread among other existing system users, rather than simply transferred to Pattern Wind. On June 10, 2021, Pattern Wind and Leeward both filed a request for rehearing of the FERC Order. On September 10, 2021, Leeward filed a petition in the United States District Court for the District of Columbia for review of FERC's order accepting PNM's four unexecuted TSAs. On November 15, 2021, FERC issued an order denying the rehearing. On December 3, 2021, Leeward filed an Unopposed Motion for Voluntary Dismissal with the United States District Court for the District of Columbia of its petition for review. PNM is unable to predict the outcome of this matter.

FERC Compliance

PNM is conducting a comprehensive internal review of its filings with FERC regarding the potential timely filing of certain agreements that contained deviations from PNM's standard form of service agreement in its OATT and assessing any applicable FERC waivers or refund requirements. PNM anticipates it will pursue any applicable waivers with FERC upon completion of PNM's internal review. PNM is unable to predict the outcome of this matter.

The Community Solar Act

On June 18, 2021, Senate Bill 84, known as the Community Solar Act, became effective. The Community Solar Act establishes a program that allows for the development of community solar facilities and provides customers of a qualifying utility with the option of accessing solar energy produced by a community solar facility in accordance with the Community Solar Act. The NMPRC is charged with administering the Community Solar Act program, establishing a total maximum capacity of 200 MW community solar (applicable until November 2024) facilities and allocating proportionally to the New Mexico electric investor-owned utilities and participating cooperatives. As required under the Community Solar Act, the NMPRC opened a docket on May 12, 2021 to adopt rules to establish a community solar program no later than April 1, 2022. On June 15, 2021, the NMPRC issued an order which required utilities provide a notice to all future applicants and to any likely applicants that, until the effective date of the NMPRC's rules in this area the NMPRC's existing interconnection rules and manual remain in place until amended or replaced by the NMPRC, and further, that a place in a utility's applicant queue for interconnection does not and will not provide any advantage for selection as a community solar project. PNM has provided the required notices. On October 27, 2021, the NMPRC adopted an order issuing a NOPR starting the formal process for adoption of rules pursuant to the Community Solar Act. PNM cannot predict the full impact of the Community Solar Act or the outcome of the NMPRC's rulemaking.

San Juan Generating Station Unit 1 Outage

On June 30, 2021, a cooling tower used for SJGS Unit 1 failed resulting in a unit outage. SJGS Unit 1 was brought back online on July 25, 2021. PNM anticipates the damages to the facility will be reimbursed under an existing property insurance policy that covers SJGS, subject to a deductible of $2.0 million. PNM's share of the deductible of $1.0 million, reflects PNM's 50% ownership interest in SJGS Unit 1. On July 14, 2021, the NMPRC issued an order opening a formal docket and inquiry into the cooling tower incident. PNM has responded to a number of NMPRC questions in the inquiry, including questions about the cause of the cooling tower failure, cost and progress of the cleanup and remediation, whether customers experienced loss of service, how PNM provided power during the outage, safety practices and procedures at SJGS, and the history of inspections on the cooling towers. PNM cannot predict the outcome of this matter.

TNMP

TNMP 2018 Rate Case

On May 30, 2018, TNMP filed a general rate proceeding with the PUCT (the "TNMP 2018 Rate Case") requesting an annual increase to base rates of $25.9 million based on a ROE of 10.5%, a cost of debt of 7.2%, and a capital structure comprised of 50% debt and 50% equity. TNMP's application included a request to establish new rate riders to recover

Hurricane Harvey restoration, rate case, and additional vegetation management costs. The application also included the integration of revenues previously recorded under the AMS rider and collection of other unrecovered AMS investments into base rates. The TNMP 2018 Rate Case application also proposed to return the regulatory liability recorded at December 31, 2017 related to federal tax reform to customers and to reduce the federal corporate income tax rate to 21%.

On December 20, 2018, the PUCT approved an unopposed settlement agreement in the case. The PUCT's final order results in a $10.0 million annual increase to base rates. The key elements of the approved settlement include a ROE of 9.65%, and a capital structure comprised of 55% debt and 45% equity. As stated by the settlement agreement, the PUCT's final order excludes certain items from rate base that were requested in TNMP's original filing, including approximately $10.6 million of transmission investments that TNMP included in its January 2019 transmission cost of service filing, which was approved by the PUCT in March 2019. In addition, the PUCT's final order requires TNMP to reflect the lower federal income tax rate of 21% in rates and refund approximately $37.8 million of a regulatory liability recorded at December 31, 2017 related to federal tax reform to customers over a period of five years and the remaining amount over the estimated useful lives of plant in service as of December 31, 2017; approves TNMP's request to integrate revenues historically recorded under TNMP's AMS rider, as well as other unrecovered AMS investments, into base rates; approves TNMP's request for new depreciation rates; and approves a new rider to recover Hurricane Harvey restoration costs, net of amounts to be refunded to customers resulting from the reduction in the federal income tax rate in 2018. See Notes 13 and 18. The new rider was charged to customers over a period of approximately three years beginning on the effective date of new base rates. New rates under the TNMP 2018 Rate Case were effective beginning on January 1, 2019.

Recovery of TNMP Rate Case Costs

Recovery of the cost of TNMP's rate case was moved into a separate proceeding to begin after the conclusion of TNMP 2018 Rate Case. TNMP sought recovery of costs incurred through August 2019 in the amount of $3.8 million and proposed these costs be collected from customers over a three-year period. In October 2019, TNMP and other parties to the proceedings filed an unopposed settlement stipulation that reduced TNMP's cost recovery to $3.3 million and provide for recovery over a period not to exceed three years beginning on March 1, 2020. On January 16, 2020, the PUCT approved the settlement. As a result of the PUCT's order, TNMP recorded a pre-tax write-off of $0.5 million in December 2019, which is reflected as regulatory disallowances on TNMP's Consolidated Statements of Earnings.

Advanced Meter System Deployment

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect $113.4 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge in August 2011 and deployment of advanced meters began in September 2011. TNMP completed its mass deployment in 2016 and has installed more than 242,000 advanced meters. The TNMP 2018 Rate Case and associated approved settlement discussed above included a reconciliation of AMS costs and integrate TNMP's AMS recovery into base rates beginning on January 1, 2019.

TNMP was notified by its largest AMS service provider that its existing communication platform would be decommissioned in February 2022. TNMP evaluated technological alternatives for its AMS and on October 2, 2020, filed an application with the PUCT for authorization to implement necessary upgrades of approximately $46 million by November 2022. On January 14, 2021, the PUCT approved TNMP's application. TNMP will seek recovery of the investment associated with the upgrade in a future general rate proceeding or DCOS filing.

AMS Reconciliation

On July 14, 2021, TNMP filed a request with the PUCT to consider and approve its final reconciliation of the costs spent on the deployment of AMS from April 1, 2018 through December 31, 2018 of $9.0 million and approve appropriate carrying charges until full collection. On September 13, 2021, the PUCT Staff filed a recommendation for approval of TNMP's application for substantially all costs from April 1, 2018 through December 31, 2018. On February 10, 2022, the PUCT approved substantially all costs included in TNMP's AMS reconciliation application.

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor ("EECRF"), which includes projected program costs, under or over collected costs from prior years, rate case expenses, and performance bonuses (if the programs exceed mandated savings goals).

The following sets forth TNMP’s EECRF increases:

Effective Date	Aggregate Collection Amount	Performance Bonus
	(In millions)	
March 1, 2019	$ 5.6	$ 0.8
March 1, 2020	5.9	0.8
March 1, 2021	5.9	1.0

On May 27, 2021, TNMP filed its request to adjust the EECRF to reflect changes in costs for 2022. The total amount requested was $7.2 million, which includes a performance bonus of $2.3 million based on TNMP's energy efficiency achievements in the 2020 plan year. On July 28, 2021, a unanimous stipulation and settlement was filed with the PUCT to recover its requested costs in 2022, including the performance bonus of $2.3 million. On October 7, 2021, the PUCT approved TNMP's energy efficiency application.

Transmission Cost of Service Rates

TNMP can update its TCOS rates twice per year to reflect changes in its invested capital although updates are not allowed while a general rate case is in process. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities.

The following sets forth TNMP’s recent interim transmission cost rate increases:

Effective Date	Approved Increase in Rate Base	Annual Increase in Revenue
	(In millions)	
March 21, 2019	$ 111.8	$ 14.3
September 19, 2019	21.9	3.3
March 27, 2020	59.2	7.8
October 7, 2020	10.8	2.0
March 12, 2021	112.6	14.1
September 20, 2021	41.2	6.3

On January 26, 2022, TNMP filed an application to further update its transmission rates, which would increase revenues by $14.2 million annually, based on an increase in rate base of $95.6 million. The application is pending before the PUCT.

Periodic Distribution Rate Adjustment

PUCT rules permit interim rate adjustments to reflect changes in investments in distribution assets. Distribution utilities may file for a periodic rate adjustment between April 1 and April 8 of each year as long as the electric utility is not earning more than its authorized rate of return using weather-normalized data. Utilities are limited to four periodic interim distribution rate adjustments between general rate cases.

On April 6, 2020, TNMP filed its 2020 DCOS that requested an increase in TNMP's annual distribution revenue requirement of $14.7 million based on net capital incremental rate base of $149.2 million. On June 26, 2020, the parties filed a unanimous settlement for a $14.3 million annual distribution revenue requirement with rates effective September 1, 2020. On August 13, 2020, the PUCT approved the unanimous settlement. On April 5, 2021, TNMP filed its 2021 DCOS that requested an increase in TNMP annual distribution revenue requirement of $14.0 million based on an increase in rate base of $104.5 million. On July 1, 2021, TNMP reached a unanimous settlement agreement with parties that would authorize TNMP to collect an increase in annual distribution revenues of $13.5 million beginning in September 2021. Subsequently, the ALJ issued an order on July 9, 2021 approving interim rates effective September 1, 2021, and remanded the case to the PUCT for approval. On September 23, 2021, the PUCT approved substantially all costs in the unanimous settlement.

COVID-19 Electricity Relief Program

On March 26, 2020, the PUCT issued an order establishing an electricity relief program for electric utilities, REPs, and customers impacted by COVID-19. The program allowed providers to implement a rider to collect unpaid residential retail customer bills and to ensure these customers continued to have electric service. In addition, the program provided transmission and distribution providers access to zero-interest loans from ERCOT. Collectively, ERCOT's loans could not exceed $15 million. The program had a term of six months unless extended by the PUCT. In a separate order, the PUCT authorized electric utilities to establish a regulatory asset for costs related to COVID-19. These costs included but were not limited to costs related to unpaid accounts.

TNMP filed its rider on March 30, 2020. The rider was effective immediately and established a charge of $0.33 per MWh in accordance with the PUCT's order. Final collections under the rider exceeded unpaid residential retail customer bills and were presented net as a regulatory liability of $0.1 million on the Consolidated Balance Sheet as of December 31, 2020. TNMP is refunding the net regulatory liability through its transmission cost recovery factor. Other COVID-19 related costs of $0.7 million were also recorded as a regulatory asset on the Consolidated Balance Sheet as of December 31, 2020. TNMP no longer intends to seek recovery of the other incremental costs in a future rate proceeding as a regulatory asset and therefore, reversed the regulatory asset in 2021. On April 14, 2020, TNMP executed an interest-free loan agreement to borrow $0.5 million from ERCOT, and on October 30, 2020, the balance of the loan was repaid.

On August 27, 2020, the PUCT issued an order determining that new enrollments in the program should end on August 31, 2020 and benefits under the program should end on September 30, 2020 to allow eligible customers a minimum of one month of benefits from the program. All requests for reimbursement were made by November 30, 2020. On December 4, 2020, TNMP filed to end collections under the tariff. Final collections under the rider were made on December 11, 2020. On January 14, 2021, TNMP made a final compliance filing for the electricity relief program.

(18) Income Taxes

Federal Income Tax Reform

In December 2017, comprehensive changes in U.S. federal income taxes were enacted through legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made many significant modifications to the tax laws, including reducing the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Tax Act also eliminated federal bonus depreciation for utilities, limited interest deductibility for non-utility businesses and limited the deductibility of officer compensation. During 2020, the IRS issued final regulations related to certain officer compensation and, in January 2021, issued final regulations on interest deductibility that provide a 10% "de minimis" exception that allows entities with predominantly regulated activities to fully deduct interest expenses. In addition, in 2020, the IRS finalized regulations interpreting Tax Act amendments to depreciation provisions of the IRC that allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service subsequent to the third quarter of 2017.

As a result of the change in the federal income tax rate, the Company re-measured and adjusted its deferred tax assets and liabilities as of December 31, 2017. The portion of that adjustment not related to PNM's and TNMP's regulated activities was recorded as a reduction in net deferred tax assets and an increase in income tax expense. The portion related to PNM's and TNMP's regulated activities was recorded as a reduction in net deferred tax liabilities and an increase in regulatory liabilities.

Beginning February 2018, PNM's NM 2016 Rate Case reflects the reduction in the federal corporate income tax rate, including amortization of excess deferred federal and state income taxes. In accordance with the order in that case, PNM is returning the protected portion of excess deferred federal income taxes to customers over the average remaining life of plant in service as of December 31, 2017 and the unprotected portion of excess deferred federal income taxes to customers over a period of approximately twenty-three years. Excess deferred state income taxes were returned to customers over a three-year period, which concluded in the first quarter of 2021. The approved settlement in the TNMP 2018 Rate Case includes a reduction in customer rates to reflect the impacts of the Tax Act beginning on January 1, 2019. PNMR, PNM, and TNMP amortized federal and state excess deferred income taxes of $24.5 million, $15.2 million, and $9.3 million in 2021. See additional discussion of PNM's NM 2016 Rate Case and TNMP's 2018 Rate Case in Note 17.

As discussed in Note 17, the NM Supreme Court issued a decision in May 2019 on the appeal of the NM 2015 Rate Case resulting in pre-tax impairments of $150.6 million in the year ending December 31, 2019. The impairments were recognized as discrete items within regulatory disallowances and restructuring costs resulting in tax benefits of $45.7 million, which are reflected in income taxes on the Company's Consolidated Statements of Earnings for the year ended December 31, 2019.

PNMR

PNMR’s income taxes (benefits) consist of the following components:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Current federal income tax	$ —	$ —	$ 60
Current state income tax	1,835	231	43
Deferred federal income tax (benefit)	20,679	17,574	(20,372)
Deferred state income tax (benefit)	11,315	3,721	(4,491)
Amortization of accumulated investment tax credits	(1,247)	(890)	(522)
Total income taxes (benefits)	$ 32,582	$ 20,636	$ (25,282)

PNMR’s provision for income taxes (benefits) differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Federal income tax at statutory rates	$ 51,330	$ 43,670	$ 14,038
Amortization of accumulated investment tax credits	(1,247)	(890)	(522)
Amortization of excess deferred income tax (Note 17)	(24,484)	(30,723)	(37,799)
Flow-through of depreciation items	798	1,368	1,136
Earnings attributable to non-controlling interest in Valencia	(3,253)	(2,943)	(2,991)
State income tax, net of federal (benefit)	9,660	6,961	298
Allowance for equity funds used during construction	(2,776)	(2,363)	(1,990)
Regulatory recovery of prior year impairments of state net operating loss carryforward, including amortization	—	1,367	1,367
Tax benefit related to stock compensation awards	(788)	(392)	(795)
Non-deductible compensation	899	2,630	1,156
Transaction costs	848	—	—
Other	1,595	1,951	820
Total income taxes (benefits)	$ 32,582	$ 20,636	$ (25,282)
Effective tax rate	13.33 %	9.92 %	(37.82)%

The components of PNMR's net accumulated deferred income tax liability were:

	December 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Net operating loss	$ 32,441	$ 41,419
Regulatory liabilities related to income taxes	120,651	148,961
Federal tax credit carryforwards	122,436	121,354
Regulatory disallowances	38,835	38,531
Other	34,812	42,885
Total deferred tax assets	349,175	393,150
Deferred tax liabilities:		
Depreciation and plant related	(787,295)	(738,342)
Investment tax credit	(97,409)	(98,669)
Regulatory assets related to income taxes	(78,211)	(61,330)
Pension	(40,828)	(37,099)
Regulatory asset for shutdown of SJGS Units 2 and 3	(25,643)	(27,237)
Other	(84,639)	(124,985)
Total deferred tax liabilities	(1,114,025)	(1,087,662)
Net accumulated deferred income tax liabilities	$ (764,850)	$ (694,512)

The following table reconciles the change in PNMR's net accumulated deferred income tax liability to the deferred income tax (benefit) included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2021
	(In thousands)
Net change in deferred income tax liability per above table	$ 70,338
Change in tax effects of income tax related regulatory assets and liabilities	(12,424)
Amortization of excess deferred income tax	(24,484)
Tax effect of mark-to-market adjustments	2,729
Tax effect of excess pension liability	(5,196)
Adjustment for uncertain income tax positions	562
Reclassification of unrecognized tax benefits	(562)
Other	(216)
Deferred income taxes	$ 30,747

PNM

PNM's income taxes (benefit) consist of the following components:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Current federal income tax (benefit)	$ —	$ —	$ (6,266)
Current state income tax (benefit)	(128)	(585)	449
Deferred federal income tax (benefit)	18,774	20,125	(12,308)
Deferred state income tax (benefit)	8,583	2,560	(7,590)
Amortization of accumulated investment tax credits	(237)	(243)	(247)
Total income taxes (benefit)	$ 26,992	$ 21,857	$ (25,962)

PNM's provision for income taxes (benefit) differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Federal income tax at statutory rates	$ 41,696	$ 38,193	$ 6,187
Amortization of accumulated investment tax credits	(237)	(243)	(247)
Amortization of excess deferred income tax (Note 17)	(15,158)	(21,609)	(28,923)
Flow-through of depreciation items	689	1,279	1,077
Earnings attributable to non-controlling interest in Valencia	(3,253)	(2,943)	(2,991)
State income tax, net of federal benefit	7,609	7,111	92
Allowance for equity funds used during construction	(2,080)	(1,461)	(1,398)
Regulatory recovery of prior year impairment of state net operating loss carryforward, net of amortization	—	1,367	1,367
Allocation of tax benefit related to stock compensation awards	(563)	(279)	(559)
Non-deductible compensation	547	1,554	683
Transaction costs	22	—	—
Other	(2,280)	(1,112)	(1,250)
Total income taxes (benefits)	$ 26,992	$ 21,857	$ (25,962)
Effective tax rate	13.59 %	12.02 %	(88.13)%

The components of PNM's net accumulated deferred income tax liability were:

	December 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Net operating loss	$ 1,854	$ —
Regulatory liabilities related to income taxes	96,161	121,569
Federal tax credit carryforwards	86,811	84,719
Regulatory disallowance	38,835	38,531
Other	36,599	46,444
Total deferred tax assets	260,260	291,263
Deferred tax liabilities:		
Depreciation and plant related	(616,567)	(576,079)
Investment tax credit	(74,187)	(74,424)
Regulatory assets related to income taxes	(68,687)	(51,493)
Pension	(36,283)	(32,413)
Regulatory asset for shutdown of SJGS Units 2 and 3	(25,643)	(27,237)
Other	(69,575)	(108,767)
Total deferred tax liabilities	(890,942)	(870,413)
Net accumulated deferred income tax liabilities	$ (630,682)	$ (579,150)

The following table reconciles the change in PNM's net accumulated deferred income tax liability to the deferred income tax (benefit) included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2021
	(In thousands)
Net change in deferred income tax liability per above table	$ 51,532
Change in tax effects of income tax related regulatory assets and liabilities	(9,834)
Amortization of excess deferred income tax	(15,158)
Tax effect of mark-to-market adjustments	2,957
Tax effect of excess pension liability	(5,196)
Adjustment for uncertain income tax positions	541
Reclassification of unrecognized tax benefits	2,278
Deferred income taxes	$ 27,120

TNMP

TNMP's income taxes consist of the following components:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Current federal income tax	$ 5,770	$ 12,048	$ 10,792
Current state income tax	2,395	2,033	1,904
Deferred federal income tax (benefit)	(224)	(7,744)	(7,621)
Deferred state income tax (benefit)	(29)	(29)	(29)
Total income taxes	$ 7,912	$ 6,308	$ 5,046

TNMP's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the periods shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Federal income tax at statutory rates	$ 15,076	$ 13,628	$ 12,778
Amortization of excess deferred income tax	(9,326)	(9,113)	(8,876)
State income tax, net of federal (benefit)	1,763	1,625	1,532
Allocation of tax benefit related to stock compensation awards	(224)	(112)	(236)
Non-deductible compensation	351	1,071	471
Transaction costs	(4)	—	—
Other	276	(791)	(623)
Total income taxes	$ 7,912	$ 6,308	$ 5,046
Effective tax rate	11.02 %	9.71 %	8.29 %

The components of TNMP's net accumulated deferred income tax liability at December 31, were:

	December 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Regulatory liabilities related to income taxes	$ 24,490	$ 27,392
Other	3,648	4,548
Total deferred tax assets	28,138	31,940
Deferred tax liabilities:		
Depreciation and plant related	(157,649)	(148,279)
Regulatory assets related to income taxes	(9,525)	(9,836)
Loss on reacquired debt	(5,799)	(6,072)
Pension	(4,545)	(4,685)
AMS	(5,249)	(6,915)
Other	(2,619)	(1,522)
Total deferred tax liabilities	(185,386)	(177,309)
Net accumulated deferred income tax liabilities	$ (157,248)	$ (145,369)

The following table reconciles the change in TNMP's net accumulated deferred income tax liability to the deferred income tax (benefit) included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2021
	(In thousands)
Net change in deferred income tax liability per above table	$ 11,879
Change in tax effects of income tax related regulatory assets and liabilities	(2,591)
Amortization of excess deferred income tax (benefit)	(9,326)
Other	(215)
Deferred income tax (benefits)	$ (253)

Other Disclosures

The Company is required to recognize only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority. A reconciliation of unrecognized tax benefits is as follows:

	PNMR	PNM	TNMP
		(In thousands)	
Balance at December 31, 2018	$ 10,194	$ 7,288	$ 103
Additions based on tax positions related to 2019	329	329	—
Additions for tax positions of prior years	170	159	11
Settlement payments	—	—	—
Balance at December 31, 2019	10,693	7,776	114
Additions based on tax positions related to 2020	2,286	2,286	—
Additions for tax positions of prior years	173	168	5
Settlement payments	—	—	—
Balance at December 31, 2020	13,152	10,230	119
Additions based on tax positions related to 2021	305	295	11
Additions for tax positions of prior years	257	246	11
Settlement payments	—	—	—
Balance at December 31, 2021	$ 13,714	$ 10,771	$ 141

Included in the balance of unrecognized tax benefits at December 31, 2021 are $11.6 million, $8.6 million, and $0.1 million that, if recognized, would affect the effective tax rate for PNMR, PNM, and TNMP. The Company does not anticipate that any unrecognized tax expenses or unrecognized tax benefits will be reduced or settled in 2022.

PNMR, PNM, and TNMP had no estimated interest income or expense related to income taxes for the years ended December 31, 2021, 2020, and 2019. There was no accumulated accrued interest receivable or payable related to income taxes as of December 31, 2021 and 2020.

The Company files a federal consolidated and several consolidated and separate state income tax returns. The tax years prior to 2018 are closed to examination by either federal or state taxing authorities other than Arizona. The tax years prior to 2017 are closed to examination by Arizona taxing authorities. Other tax years are open to examination by federal and state taxing authorities and net operating loss carryforwards are open to examination for the years in which the carryforwards are utilized. At December 31, 2021, the Company has $196.2 million of federal net operating loss carryforwards that expire beginning in 2033 and $122.4 million of federal tax credit carryforwards that expire beginning in 2024. State net operating losses expire beginning in 2033 and vary from federal due to differences between state and federal tax law. The proposed Merger may impact the Company’s ability to utilize its federal net operating loss and tax credit carryforwards.

In 2008, fifty percent bonus tax depreciation was enacted as a temporary two-year stimulus measure as part of the Economic Stimulus Act of 2008. Bonus tax depreciation in various forms has been extended since that time, including by the Protecting Americans from Tax Hikes Act of 2015. The 2015 act extended and phased-out bonus tax depreciation through 2019. As discussed above the Tax Act eliminated bonus depreciation for utilities effective September 28, 2017. However, in 2020 the IRS issued regulations interpreting Tax Act amendments to depreciation provisions of the IRC which allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service after the third quarter of 2017. As a result of the net operating loss carryforwards for income tax purposes created by bonus depreciation, certain tax carryforwards were not expected to be utilized before their expiration. In addition, as a result of Tax Act changes to the deductibility of officer compensation, certain deferred tax benefits related to compensation are not expected to be realized. The Company has impaired the deferred tax assets for tax carryforwards which are not expected to be utilized and for compensation that is not expected to be deductible.

The Company earns investment tax credits for construction or purchase of eligible property. The Company uses the deferral method of accounting for these investment tax credits.

The impairments after reflecting the expiration of carryforwards under applicable tax laws, net of federal tax benefit, for 2019 through 2021 are as follows:

	PNMR	PNM	TNMP
		(In thousands)	
December 31, 2021:			
Federal tax credit carryforwards	$ 1,029	$ —	$ —
Compensation expense	$ 119	$ 84	$ 35
December 31, 2020:			
State tax credit carryforwards	$ (425)	$ —	$ —
Compensation expense	$ 96	$ 61	$ 35
December 31, 2019:			
State tax credit carryforwards	$ 425	$ —	$ —
Compensation expense	$ (99)	$ (100)	$ 2

The tax effect of compensation that is not expected to be deductible and impairments of unexpired tax credits are reflected as a valuation allowance against deferred tax assets. The reserve balances, after reflecting expiration of carryforwards under applicable tax laws, at December 31, 2021 and 2020 are as follows:

	PNMR	PNM	TNMP
		(In thousands)	
December 31, 2021:			
Federal tax credit carryforwards	$ 1,029	$ —	$ —
Compensation expense	$ 526	$ 343	$ 182
December 31, 2020:			
Compensation expense	$ 407	$ 259	$ 148

(19) Goodwill

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM. PNMR's reporting units that currently have goodwill are PNM and TNMP.

The Company evaluates its goodwill for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill may be impaired. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

In certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment an entity considers macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price has occurred. An entity considers the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity places more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also considers positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity evaluates, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A quantitative analysis is not required if, after assessing events and circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units, but a quantitative analysis for others. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise would require the entity to allocate the fair value determined in step one to the individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step two, an impairment loss would be reflected in results of operations.

PNMR periodically updates its quantitative analysis for both PNM and TNMP. The use of a quantitative approach in a given period is not necessarily an indication that a potential impairment has been identified under a qualitative approach.

When PNMR performs a quantitative analysis for PNM or TNMP, a discounted cash flow methodology is primarily used to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimations of future cash flows, which is dependent on internal forecasts, estimations of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for the reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment.

When PNMR performs a qualitative or quantitative analysis for PNM or TNMP, PNMR considers market and macroeconomic factors including changes in growth rates, changes in the WACC, and changes in discount rates. PNMR also evaluates its stock price relative to historical performance, industry peers, and to major market indices, including an evaluation of PNMR's market capitalization relative to the carrying value of its reporting units.

For its annual evaluations performed as of April 1, 2019, PNMR performed qualitative analyses for both the PNM and TNMP reporting units. In addition to the typical considerations discussed above, the qualitative analysis considered changes in the Company's expectations of future financial performance since the April 1, 2018 quantitative analysis performed for PNM, as well as the quantitative analysis performed for TNMP at April 1, 2016 and the previous qualitative analyses through April 1, 2018. This analysis considered Company specific events such as the potential impacts of legal and regulatory matters discussed in Note 16 and Note 17, including potential outcomes in PNM's SJGS Abandonment Application, the impacts of the NM Supreme Court's decision in the appeal of the NM 2015 Rate Case, and other potential impacts of changes in PNM's resource needs based on PNM's 2017 IRP. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2019 carrying values of PNM or TNMP exceeded their fair values.

For its annual evaluations performed as of April 1, 2020, PNMR performed a qualitative analysis for the PNM reporting unit and a quantitative analysis for the TNMP reporting unit. In addition to the typical considerations discussed above, the qualitative analysis considered changes in PNM's expectations of future financial performance since the April 1, 2018 quantitative analysis as well as the 2019 qualitative analysis. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2020 carrying value of PNM exceeded its fair value. Using the methods and considerations discussed above, the 2020 quantitative analysis indicated the fair value of the TNMP reporting unit, which has goodwill of $226.7 million, exceeded its carrying value by approximately 38%. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2020 carrying value of TNMP exceeded its fair value.

For its annual evaluations performed as of April 1, 2021, PNMR performed a qualitative analysis for both the PNM and TNMP reporting units. In addition to the typical considerations discussed above, the qualitative analysis considered changes in the Company's expectations of future financial performance since the April 1, 2018 quantitative analysis and the previous qualitative analyses through April 1, 2020 performed for PNM, as well as the quantitative analysis performed for TNMP at April 1, 2020. This analysis considered Company specific events such as the Merger, potential impacts of legal and regulatory matters discussed in Note 16 and Note 17, including potential outcomes in PNM's Four Corners Abandonment Application, and other potential impacts of changes in PNM's resource needs based on PNM's 2020 IRP. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2021 carrying values of PNM and TNMP exceeded their fair value. Since the April 1, 2021 annual evaluation, there have been no events, including the Merger (Note 22), or indications that the fair values of the reporting units with recorded goodwill have decreased below their carrying values.

(20) Related Party Transactions

PNMR, PNM, TNMP, and NMRD are considered related parties, as is PNMR Services Company, a wholly-owned subsidiary of PNMR that provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. These services are billed at cost on a monthly basis to the business units. In addition, PNMR provides construction and operations and maintenance services to NMRD, a 50% owned subsidiary of PNMR Development (Note 21), and PNM purchases renewable energy from certain NMRD-owned facilities at a fixed price per MWh of energy produced. PNM also provides interconnection services to PNMR Development and NMRD.

PNMR files a consolidated federal income tax return with its affiliated companies. A tax allocation agreement exists between PNMR and each of its affiliated companies. These agreements provide that the subsidiary company will compute its taxable income on a stand-alone basis. If the result is a net tax liability, such amount shall be paid to PNMR. If there are net operating losses and/or tax credits, the subsidiary shall receive payment for the tax savings from PNMR to the extent that PNMR is able to utilize those benefits.

See Note 7 for information on intercompany borrowing arrangements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM and TNMP:

	Year Ended December 31,		
	2021	2020	2019
		(In thousands)	
Services billings:			
PNMR to PNM	$ 107,747	$ 100,872	$ 96,327
PNMR to TNMP	41,798	39,053	36,554
PNM to TNMP	404	383	375
TNMP to PNMR	141	141	141
TNMP to PNM	—	—	—
PNMR to NMRD	221	260	238
Renewable energy purchases:			
PNM from NMRD	11,879	9,638	3,124
Interconnection and facility study billings:			
PNM to NMRD	225	350	650
PNM to PNMR	—	—	—
PNMR to PNM	—	—	68,820
NMRD to PNM	1,276	—	—
Interest billings:			
PNMR to PNM	31	6	3,365
PNM to PNMR	144	255	299
PNMR to TNMP	—	2	42
Income tax sharing payments:			
PNMR to TNMP	—	—	—
PNMR to PNM	19,492	—	—
PNM to PNMR	—	—	—
TNMP to PNMR	12,842	15,820	12,996

(21) Equity Method Investment

In September 2017, PNMR Development and AEP OnSite Partners created NMRD to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. At December 31, 2021, NMRD's renewable energy capacity in operation is 135.1 MW, which includes 130 MW of solar-PV facilities to supply energy to the Meta data center located within PNM's service territory, 1.9 MW to supply energy to Columbus Electric Cooperative located in southwest New Mexico, 2.0 MW to supply energy to the Central New Mexico Electric Cooperative, and 1.2 MW of solar-PV facilities to supply energy to the City of Rio Rancho, New Mexico. PNMR accounts for its investment in NMRD using the equity method of accounting because PNMR's ownership interest results in significant influence, but not control, over NMRD and its operations. PNMR records as income its percentage share of earnings or loss of NMRD and carries its investment at cost, adjusted for its share of undistributed earnings or losses.

During 2021, 2020, and 2019 PNMR Development and AEP OnSite Partners each made cash contributions of zero, $23.3 million, and $38.3 million to NMRD for its construction activities. In February 2021, NMRD paid both PNMR Development and AEP OnSite Partners a dividend of $3.0 million. PNMR Development's cumulative equity in earnings of NMRD as of March 31, 2021 was $2.4 million and is presented as cash flows from operating activities on the Consolidated Statement of Cash Flows for the twelve months ending December 31, 2021. The portion of the dividend in excess of PNMR Development's cumulative equity earnings of NMRD amounting to $0.6 million is presented as cash flows from investing activities.

PNMR presents its share of net earnings from NMRD in other income on the Consolidated Statements of Earnings. Summarized financial information for NMRD is as follows:

	December 31,		
	2021	2020	2019
	(In thousands)		
Operating revenues	$ 12,738	$ 10,366	$ 3,662
Operating expenses	9,733	7,476	2,971
Net earnings	$ 3,005	$ 2,890	$ 691

Financial Position

	December 31,	
	2021	2020
	(In thousands)	
Current assets	$ 10,729	$ 8,046
Net property, plant, and equipment	166,495	172,585
Non-current assets	2,289	1,900
Total assets	179,513	182,531
Current liabilities	824	841
Non-current liabilities	373	380
Owners' equity	$ 178,316	$ 181,310

(22) Merger

On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and was approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

Pursuant to the Merger Agreement, each issued and outstanding share of the common stock of PNMR (other than (i) the issued shares of PNMR common stock that are owned by Avangrid, Merger Sub, PNMR or any wholly-owned subsidiary of Avangrid or PNMR, which will be automatically cancelled at the Effective Time and (ii) shares of PNMR common stock outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of, or consented in writing to, the Merger who is entitled to, and who has demanded, payment for fair value of such shares) at the Effective Time will be converted into the right to receive $50.30 in cash.

The Merger Agreement provided that it may be terminated if the Effective Time shall not have occurred by the End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. On December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger and the approval of the Merger from the NMPRC has not yet been obtained.

In light of the NMPRC December 8, 2021 ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid each agreed to extend the End Date to April 20, 2023. The parties acknowledge in the Amendment that the required regulatory approval from the NMPRC has not been obtained and that the parties have reasonably determined that such outstanding approval will not be obtained by April 20, 2022. As amended, the Merger Agreement may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Merger is not consummated by April 20, 2023.

With respect to the NMPRC proceedings, on April 20, 2021, the Joint Applicants, the NMAG, WRA, the International Brotherhood of Electrical Workers Local 611, Dine, Nava Education Project, the San Juan Citizens Alliance and To Nizhoni Ani, had entered into a stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. Subsequently, CCAE, Onward Energy Holdings LLC, Walmart Inc., Interwest Energy Alliance, M-S-R Power and the Incorporated County of Los Alamos joined an amended stipulation. An evidentiary hearing was held in August 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal.

With respect to other regulatory proceedings related to the Merger, in January 2021, the FTC notified PNMR and Avangrid that early termination of the waiting period under the HSR Act in connection with the Merger was granted. In February 2021, CFIUS completed its review of the Merger and concluded that there are no unresolved national security concerns with respect to the Merger. In March 2021, PNMR and Avangrid received FCC approval of the transfer of operating licenses related to the Merger. In April 2021, FERC issued an order authorizing the Merger. In May 2021, the PUCT issued an order authorizing the Merger and the NRC approved the Merger. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid are required to make a new filing under the HSR Act and request extensions of previously received approvals from with the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. No additional filings will be required with CFIUS, FERC or the PUCT

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approvals, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and related filings have been made with the NMPRC.

The Merger Agreement provides for certain customary termination rights. The Merger Agreement further provides that, upon termination of the Merger Agreement under certain specified circumstances (including if Avangrid terminates the Merger Agreement due to a change in recommendation of the Board or if PNMR terminates the Merger Agreement to accept a superior proposal (as defined in the Merger Agreement) and in either case prior to PNMR’s shareholder having approved the Merger), PNMR will be required to pay Avangrid a termination fee of $130.0 million. In addition, the Merger Agreement provides that (i) if the Merger Agreement is terminated by either party due to a failure of a regulatory closing condition and such failure is the result of Avangrid’s breach of its regulatory covenants, or (ii) Avangrid fails to effect the closing when all closing conditions have been satisfied and it is otherwise obligated to do so under the Merger Agreement, then, in either such case, upon termination of the Merger Agreement, Avangrid will be required to pay PNMR a termination fee of $184.0 million as the sole and exclusive remedy. Upon the termination of the Merger Agreement under certain specified circumstances involving a breach of the Merger Agreement, either PNMR or Avangrid will be required to reimburse the other party’s reasonable and documented out-of-pocket fees and expenses up to $10.0 million (which amount will be credited toward, and offset against, the payment of any applicable termination fee).

SCHEDULE I
PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF EARNINGS

	Year ended December 31,		
	2021	**2020**	**2019**
		(In thousands)	
Operating Revenues	$ —	$ —	$ —
Operating Expenses	15,044	28,299	3,983
Operating (loss)	(15,044)	(28,299)	(3,983)
Other Income and Deductions:			
Equity in earnings of subsidiaries	221,004	211,291	96,324
Other income (loss)	362	(269)	731
Net other income and (deductions)	221,366	211,022	97,055
Interest Charges	11,986	19,078	19,581
Earnings Before Income Taxes	194,336	163,645	73,491
Income Tax (Benefit)	(1,493)	(9,130)	(3,872)
Net Earnings	$ 195,829	$ 172,775	$ 77,363

SCHEDULE I
PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Cash Flows From Operating Activities:			
Net Cash Flows From Operating Activities	$ (28,514)	$ (17,646)	$ 2,001
Cash Flows From Investing Activities:			
Utility plant additions	543	1,122	1,100
Investments in subsidiaries	(178,071)	(301,000)	(80,000)
Cash dividends from subsidiaries	60,000	99,187	54,465
Net cash flows from investing activities	(117,528)	(200,691)	(24,435)
Cash Flows From Financing Activities:			
Short-term loan borrowings (repayments)	—	—	(150,000)
Short-term borrowings (repayments) -affiliate, net	6,400	—	—
Revolving credit facility borrowings (repayments), net	42,900	(131,900)	123,900
Long-term borrowings	1,120,000	230,000	150,000
Repayment of long-term debt	(900,000)	(50,000)	—
Issuance of common stock	—	283,208	—
Proceeds from stock option exercise	—	24	943
Awards of common stock	(10,130)	(11,984)	(9,918)
Dividends paid	(112,444)	(97,974)	(92,398)
Other, net	(673)	(3,064)	(107)
Net cash flows from financing activities	146,053	218,310	22,420
Change in Cash and Cash Equivalents	11	(27)	(14)
Cash and Cash Equivalents at Beginning of Period	52	79	93
Cash and Cash Equivalents at End of Period	$ 63	$ 52	$ 79
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 13,425	$ 16,869	$ 18,702
Income taxes paid (refunded), net	$ —	$ —	$ —

SCHEDULE I

PNM RESOURCES, INC.
CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(In thousands)	
Assets		
Cash and cash equivalents	$ 63	$ 52
Intercompany receivables	45,954	71,567
Income taxes receivable	18,674	—
Other, net	247	5,545
Total current assets	64,938	77,164
Property, plant and equipment, net of accumulated depreciation of $16,585 and $15,706	22,649	23,191
Investment in subsidiaries	3,006,281	2,631,567
Other long-term assets	49,220	58,695
Total long-term assets	3,078,150	2,713,453
	$ 3,143,088	$ 2,790,617
Liabilities and Stockholders' Equity		
Short-term debt	$ 54,900	$ 12,000
Short-term debt-affiliate	15,219	8,819
Current maturities of long-term debt	—	229,948
Accrued interest and taxes	2,564	8,124
Other current liabilities	318	29,549
Total current liabilities	73,001	288,440
Long-term debt	899,759	449,909
Other long-term liabilities	2,804	2,803
Total liabilities	975,564	741,152
Common stock (no par value; 120,000,000 shares authorized; issued and outstanding 85,834,874 shares)	1,429,257	1,429,941
Accumulated other comprehensive income (loss), net of tax	(71,936)	(79,183)
Retained earnings	810,203	698,707
Total common stockholders' equity	2,167,524	2,049,465
	$ 3,143,088	$ 2,790,617

See Notes 7, 8, 11, and 16 for information regarding commitments, contingencies, and maturities of long-term debt.

SCHEDULE II
PNM RESOURCES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Deductions: Write-offs and other	Balance at end of year
			(In thousands)		
Allowance for credit losses, year ended December 31:					
2019	$ 1,406	$ 2,835	$ —	$ 3,078	$ 1,163
2020	$ 1,163	$ 3,527	$ 6,070	$ 2,427	$ 8,333
2021	$ 8,333	$ 4,663	$ 826	$ 6,557	$ 7,265

SCHEDULE II
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
VALUATION AND QUALIFYING ACCOUNTS

		Additions		Deductions	
Description	**Balance at beginning of year**	**Charged to costs and expenses**	**Charged to other accounts**	**Write-offs and other**	**Balance at end of year**
			(In thousands)		
Allowance for credit losses, year ended December 31:					
2019	$ 1,406	$ 2,790	$ —	$ 3,033	$ 1,163
2020	$ 1,163	$ 3,482	$ 6,070	$ 2,382	$ 8,333
2021	$ 8,333	$ 4,597	$ 826	$ 6,491	$ 7,265

SCHEDULE II
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY-OWNED SUBSIDIARY OF PNM RESOURCES, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts	Write-offs and other	
			(In thousands)		
Allowance for credit losses, year ended December 31:					
2019	$ —	$ 44	$ —	$ 44	$ —
2020	$ —	$ 45	$ —	$ 45	$ —
2021	$ —	$ 66	$ —	$ 66	$ —

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

PNMR

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, PNMR conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-2. This report is incorporated by reference herein. PNMR's internal control over financial reporting as of December 31, 2021 has been audited by KPMG LLP, as an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in internal controls.

There have been no changes in PNMR's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, PNMR's internal control over financial reporting.

PNM

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, PNM conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-3. This report is incorporated by reference herein.

(c) Changes in internal controls.

There have been no changes in PNM's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, PNM's internal control over financial reporting.

TNMP

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this annual report, TNMP conducted an evaluation under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Management's report on internal control over financial reporting.

"Management's Annual Report on Internal Control Over Financial Reporting" appears on page B-4. This report is incorporated by reference herein.

(c) Changes in internal controls.

There have been no changes in TNMP's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, TNMP's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Reference is hereby made to "Proposal 1: Elect as Directors the Nine Director Nominees Named in the Proxy Statement" in PNMR's Proxy Statement relating to the annual meeting of shareholders to be held on May 10, 2022 (the "2022 Proxy Statement"), to PART I – "INFORMATION ABOUT EXECUTIVE OFFICERS OF PNM RESOURCES, INC." in this Form 10-K, "Information About Our Corporate Governance – Code of Ethics," and "Additional Information About Our Board and Board Committees – Board Committees and their Functions" – "Audit and Ethics Committee" in the 2022 Proxy Statement. The Company intends to satisfy the disclosure requirements of Form 8-K relating to amendments to the Company's code of ethics applicable to its senior executive and financial officers by posting such information on its website. Information about the Company's website is included under Part I, Item 1 – "Websites."

ITEM 11. EXECUTIVE COMPENSATION

Reference is hereby made to "Director Compensation" and "Executive Compensation", and all subheadings thereunder from "Compensation Discussion and Analysis" to "Change in Control, Termination, Retirement, or Impaction" in the 2022 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is hereby made to "Ownership of Our Common Stock – Largest Shareholders" and " – Share Ownership of Executive Officers and Directors" and "Equity Compensation Plan Information" in the 2022 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Reference is hereby made to "Information About Our Corporate Governance – Director Independence" and " – Related Person Transaction Policy" in the 2022 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is hereby made to "Audit and Ethics Committee Report" and "Independent Auditor Fees" in the 2022 Proxy Statement. Independent auditor fees for PNM and TNMP are reported in the 2022 Proxy Statement for PNMR. All such fees are fees of PNMR. PNMR charges a management fee to PNM and TNMP that includes an allocation of independent auditor fees.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) - 1. See Index to Financial Statements under Part II, Item 8.

(a) - 2. Financial Statement Schedules for the years 2020, 2019, and 2018 are omitted for the reason that they are not required or the information is otherwise supplied under Part II, Item 8.

(a) - 3. Exhibits:

The documents listed below are being filed herewith or have been previously filed on behalf of PNM Resources, PNM or TNMP and are incorporated by reference to the filings set forth below pursuant to Exchange Act Rule 12b-32 and Regulation S-K section 10, paragraph (d).

Exhibit No.	Description of Exhibit	Filed as Exhibit:	Registrant (s) File No:
Plan of Acquisition, reorganization, liquidation or succession			
2.1	Agreement and Plan of Merger, dated as of October 20, 2020, by and among PNM Resources, Inc., Avangrid, Inc., and NM Green Holdings, Inc. (Merger Agreement)	2.1 to PNMR's Current Report on Form 8-K filed October 21, 2020	1-32462 PNMR
2.2	Amendment to Merger Agreement, dated as of January 3, 2022, by and among PNM Resources, Inc., Avangrid, Inc., and NM Green Holdings, Inc.	2.1 to PNMR’s Current Report on Form 8-K filed January 3, 2022	1-32462 PNMR
Articles of Incorporation and By-laws			
3.1	Articles of Incorporation of PNMR, as amended to date (Certificate of Amendment dated October 27, 2008 and Restated Articles of Incorporation dated August 3, 2006)	3.1 to PNMR’s Current Report on Form 8-K filed November 21, 2008	1-32462 PNMR
3.2	Restated Articles of Incorporation of PNM, as amended through May 31, 2002	3.1.1 to PNM’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002	1-6986 PNM
3.3	Articles of Incorporation of TNMP, as amended through July 7, 2005	3.1.2 to TNMP’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005	2-97230 TNMP
3.4	Bylaws of PNMR, Inc. with all amendments to and including October 24, 2017	3.4 to PNMR’s Current Report on Form 8-K filed October 25, 2017	1-32462 PNMR
3.5	Bylaws of PNM with all amendments to and including May 31, 2002	3.1.2 to PNM’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002	1-6986 PNM
3.6	Bylaws of TNMP with all amendments to and including June 18, 2013	3.6 to TNMP’s Current Report on Form 8-K filed June 20, 2013	2-97230 TNMP
Securities Instruments‡			
PNMR			
4.1	Description of PNM Resources, Inc. Securities	4.1 to PNMR’s Annual Report on Form 10-K for the year ended December 31, 2019	1-32462 PNMR
4.2	Indenture, dated as of March 15, 2005, between PNMR and JPMorgan Chase Bank, N.A., as Trustee	10.2 to PNMR’s Current Report on Form 8-K filed March 31, 2005	1-32462 PNMR
4.3	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among PNMR, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 15, 2005 PNMR Indenture)	4.1 to PNMR’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011	1-32462 PNMR
PNM			
4.4	Description of Public Service Company of New Mexico Securities	4.2 to PNM’s Annual Report on Form 10-K for the year ended December 31, 2019	1-6986 PNM
4.5	Indenture (for Senior Notes), dated as of March 11, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.4 to PNM’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998	1-6986 PNM

4.6	Sixth Supplemental Indenture, dated as of May 1, 2003, supplemental to Indenture dated as of March 11, 1998, between PNM and JPMorgan Chase Bank, as Trustee (PVNGS Maricopa PCRBs, Series 2003A)	4.6.4 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003	1-6986 PNM
4.7	Eighth Supplemental Indenture, dated as of June 1, 2010, supplemental to Indenture dated as of March 11, 1998, between PNM and The Bank of New York Mellon Trust Company (successor to JPMorgan Chase Bank), as Trustee (SJGS Farmington PCRBs Series 2010A-F)	10.1 to PNM's Current Report on Form 8-K/A filed July 29, 2010	1-6986 PNM
4.8	Ninth Supplemental Indenture, dated as of June 1, 2010, supplemental to Indenture dated as of March 11, 1998, between PNM and The Bank of New York Mellon Trust Company (successor to JPMorgan Chase Bank), as Trustee (PVNGS Maricopa PCRBs Series 2010A-B)	10.2 to PNM's Current Report on Form 8-K/A filed July 29, 2010	1-6986 PNM
4.9	Agreement of Resignation, Appointment and Acceptance effective as of May 1, 2011, among PNM, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 11, 1998 PNM Indenture)	4.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011	1-6986 PNM
4.10	Tenth Supplemental Indenture, dated as of September 1, 2012, supplemental to Indenture dated as of March 11, 1998, between PNM and Union Bank, N.A.(ultimate successor as trustee to The Chase Manhattan Bank), as Trustee (SJGS Farmington PCRBs Series 2012A)	4.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012	1-6986 PNM
4.11	Eleventh Supplemental Indenture, dated as of September 1, 2016, supplemental to Indenture dated as of March 11, 1998, between PNM and MUFG Union Bank, N.A. (formerly Union Bank, N.A.) (ultimate successor as trustee to The Chase Manhattan Bank), as Trustee (SJGS and Four Corners Farmington PCRBs Series 2016A-B)	4.1 to PNM's Current Report on Form 8-K filed September 27, 2016	1-6986 PNM
4.12	Indenture (for Senior Notes), dated as of August 1, 1998, between PNM and The Chase Manhattan Bank, as Trustee	4.1 to PNM's Registration Statement No. 333-53367	333-53367 PNM
4.13	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among PNM, The Bank of New York Mellon Trust Company and Union Bank, N.A. (for August 1, 1998 PNM Indenture)	4.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011	1-6986 PNM
4.14	Fifth Supplemental Indenture, dated as of August 11, 2015, supplemental to the Indenture dated as of August 1, 1998, between PNM and MUFG Union Bank, N.A., as Trustee ($250,000,000 of 3.85% Senior Notes due 2025, Series 2015)	4.2 to PNM's Current Report on Form 8-K filed August 11, 2015	1-6986 PNM
TNMP			
4.15	First Mortgage Indenture dated as of March 23, 2009 between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee	4.1 to TNMP's Current Report on Form 8-K filed March 27, 2009	2-97230 TNMP
4.16	Third Supplemental Indenture dated as of April 30, 2009 between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee ($75,000,000 First Mortgage Bonds due 2011, Series 2009C)	4.1 to TNMP's Current Report on Form 8-K filed May 6, 2009	2-97230 TNMP
4.17	First Amendment dated as of December 16, 2010 between TNMP and The Bank of New York Mellon Trust Company, N.A., as Trustee to The Third Supplemental Indenture dated as of April 30, 2009 (First Mortgage Bonds Series 2009C)	4.1 to TNMP's Current Report on Form 8-K filed December 17, 2010	2-97230 TNMP
4.18	Agreement of Resignation, Appointment and Acceptance, effective as of June 1, 2011, among TNMP, The Bank of New York Mellon Trust Company, N.A. and Union Bank, N.A. (for March 23, 2009 TNMP Indenture)	4.4 to TNMP's Quarterly Report Form 10-Q for the quarter ended June 30, 2011	2-97230 TNMP

4.19	Fifth Supplemental Indenture dated as of April 3, 2013 between TNMP and Union Bank, N.A., as Trustee ($93,198,000 of 6.95% First Mortgage Bonds due 2043, Series 2013A)	4.1 to TNMP’s Current Report on Form 8-K filed April 3, 2013	2-97230 TNMP
4.20	Sixth Supplemental Indenture dated as of June 27, 2014 between TNMP and Union Bank, N.A., as Trustee ($80,000,000 of 4.03% First Mortgage Bonds due 2024, Series 2014A)	4.1 to TNMP’s Current Report on Form 8-K filed June 27, 2014	2-97230 TNMP
4.21	Seventh Supplemental Indenture dated as of February 10, 2016 between TNMP and MUFG Union Bank, N.A., as Trustee ($60,000,000 of 3.53% First Mortgage Bonds due 2026, Series 2016A)	4.1 to TNMP’s Current Report on Form 8-K filed February 10, 2016	2-97230 TNMP
4.22	Eighth Supplemental Indenture dated as of August 24, 2017 between TNMP and MUFG Union Bank, N.A., as Trustee ($60,000,000 of 3.22% First Mortgage Bonds due 2028, Series 2017A)	4.1 to TNMP’s Current Report on Form 8-K filed August 24, 2017	2-97230 TNMP
4.23	Ninth Supplemental Indenture dated as of June 28, 2018 between TNMP and MUFG Union Bank, N.A., as Trustee ($60,000,000 of 3.85% First Mortgage Bonds due 2028, Series 2018A)	4.1 to TNMP’s Current Report on Form 8-K filed July 2, 2018	2-97230 TNMP
4.24	Tenth Supplemental Indenture dated as of March 29, 2019 between TNMP and MUFG Union Bank, N.A., as Trustee ($75,000,000 of 3.79% First Mortgage Bonds due 2034, Series 2019B, $75,000,000 of 3.92% First Mortgage Bonds due 2039, Series 2019C, $75,000,000 of 4.06% First Mortgage Bonds due 2044, Series 2019D)	4.1 to TNMP's Current Report on Form 8-K filed March 29, 2019	2-97230 TNMP
4.25	Eleventh Supplemental Indenture dated as of July 1, 2019 between TNMP and MUFG Union Bank, N.A., as Trustee ($80,000,000 of 3.60% First Mortgage Bonds due 2029, Series 2019A)	4.1 to TNMP's Current Report on Form 8-K filed July 1, 2019	2-97230 TNMP
4.26	Twelfth Supplemental Indenture, dated as of April 24, 2020, between TNMP and MUFG Union Bank, N.A., as Trustee ($85,000,000 of 2.73% First Mortgage Bonds due 2030, Series 2020A, $25,000,000 of 3.36% First Mortgage Bonds due 2050, Series 2020B)	4.1 to TNMP's Current Report on Form 8-K filed April 24, 2020	2-97230 TNMP
4.27	Thirteenth Supplemental Indenture, dated as of July 15, 2020, between TNMP and MUFG Union Bank, N.A., as Trustee ($25,000,000 of 2.93% First Mortgage Bonds due 2035, Series 2020C, $50,000,000 of 3.36% First Mortgage Bonds due 2050, Series 2020D)	4.1 to TNMP's Current Report on Form 8-K filed July 15, 2020	2-97230 TNMP
4.28	Fourteenth Supplemental Indenture, dated as of August 16, 2021, between TNMP and U.S. Bank National Association, as Trustee ($65,000,000 of 2.44% First Mortgage Bonds due 2035, Series 2021A)	4.1 to TNMP’s Current Report on Form 8-K filed August 16, 2021	2-97230 TNMP
Material Contracts			
10.1	Sixth Amendment to and Restatement of Credit Agreement dated July 30, 2018 among PNMR, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (PNMR Revolving Credit Facility)	10.1 to PNMR’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018	1-32462 PNMR
10.2	Seventh Amendment to Credit Agreement dated December 19, 2018 among PNMR, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (PNMR Revolving Credit Facility)	10.2 to PNMR’s Annual Report on Form 10-K for the year ended December 31, 2018	1-32462 PNMR
10.3	Eighth Amendment to Credit Agreement, dated as of October 26, 2020, among PNMR, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (PNMR Revolving Credit Facility)	10.1 to PNMR's Current Report on Form 8-K filed October 28, 2020	1-32462 PNMR

10.4	Ninth Amendment to Credit Agreement, dated as of September 15, 2021, among PNMR, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (PNMR Revolving Credit Facility)	10.1 to PNMR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021	1-32462 PNMR
10.5	Fourth Amendment to and Restatement of Credit Agreement dated October 19, 2018 among PNM, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (PNM Revolving Credit Facility)	10.4 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018	1-6986 PNM
10.6	Credit Agreement dated as of December 12, 2017 among PNM, the lenders identified therein, and U.S. Bank National Association, as administrative agent and BOKF, N.A. d/b/a Bank of Albuquerque, as syndication agent (PNM New Mexico Credit Facility)	10.1 to PNM's Current Report on Form 8-K filed December 12, 2017	1-6986 PNM
10.7	Term Loan Agreement, dates as of June 18, 2021, between PNM and Bank of America, N.A., as lender	99.1 to PNM's Current Report on Form 8-K filed June 21, 2021	1-6986 PNM
10.8	Note Purchase Agreement dated July 28, 2017 between PNM and the purchasers named therein (PNM 2018 SUNs, Series A-H)	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017	1-6986 PNM
10.9	Note Purchase Agreement dated April 30, 2020 between PNM and the purchasers named therein (PNM 2020 SUNs, Series A-B)	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020	1-6986 PNM
10.10	Note Purchase Agreement, dated July 14, 2021, between PNM and the purchasers named therein (PNM 2021 SUNs, Series A-B)	10.1 to PNM's Current Report on Form 8-K filed July 14, 2021	1-6986 PNM
10.11	Note Purchase Agreement, dated September 23, 2021, between PNM and the purchasers named therein (PNM September 2021 SUNs, Series A-B)	10.1 to PNM's Current Report on Form 8-K filed September 23, 2021	1-6986 PNM
10.12	Purchase and Sale Agreement dated November 1, 2020, between Navajo Transitional Energy Company and PNM	10.18 to PNM's Annual Report on Form 10-K for the year ended December 31, 2020	1-6986 PNM
10.13	Third Amended and Restated Credit Agreement dated as of September 25, 2017 among TNMP, the lenders identified therein and KeyBank National Association, as administrative agent (TNMP Revolving Credit Facility)	10.1 to TNMP's Current Report on Form 8-K filed September 27, 2017	2-97230 TNMP
10.14	First Amendment to Third Amended and Restated Credit Agreement dated April 19, 2019 among TNMP, the lenders party thereto, and KeyBank National Association, as administrative agent (TNMP Revolving Credit Facility)	10.6 to TNMP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019	2-97230 TNMP
10.15	Second Amendment to Third Amended and Restated Credit Agreement, dated as of October 26, 2020, among TNMP identified therein and KeyBank National Association, as administrative agent (TNMP Revolving Credit Facility)	10.5 to TNMP's Current Report on Form 8-K filed October 28, 2020	2-97230 TNMP
10.16	Third Amendment to Third Amended and Restated Credit Agreement, dated as of September 15, 2021, among TNMP identified therein and KeyBank, National Association, as administrative agent (TNMP Revolving Credit Facility)	10.5 to TNMP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021	2-97230 TNMP
10.17	Bond Purchase Agreement dated December 9, 2013 between TNMP and the purchasers named therein (for $80,000,000 4.03% First Mortgage Bonds, due 2024, Series 2014A)	10.1 to TNMP's Current Report on Form 8-K filed December 10, 2013	2-97230 TNMP
10.18	Bond Purchase Agreement dated December 17, 2015 between TNMP and the purchasers named therein (for $60,000,000 3.53% First Mortgage Bonds, due 2026, Series 2016A)	10.1 to TNMP's Current Report on Form 8-K filed December 21, 2015	2-97230 TNMP

10.19	Bond Purchase Agreement dated June 14, 2017 between TNMP and the purchasers named therein (for $60,000,000 3.22% First Mortgage Bonds due 2027, Series 2017A)	10.1 to TNMP's Current Report on Form 8-K filed June 14, 2017	2-97230 TNMP
10.20	Bond Purchase Agreement dated June 28, 2018 between TNMP and the purchasers named therein ($60,000,000 of 3.85% First Mortgage Bonds due 2028, Series 2018A)	10.1 to TNMP's Current Report on Form 8-K filed July 2, 2018	2-97230 TNMP
10.21	Bond Purchase Agreement dated February 26, 2019 between TNMP and the purchasers named therein ($305,000,000 of 2019 TNMP Bonds)	10.3 to TNMP's Annual Report on Form 10-K for the year ended December 31, 2018	2-97230 TNMP
10.22	Bond Purchase Agreement dated April 24, 2020, between TNMP and the purchasers named therein ($185,000,000 of 2020 Bonds)	10.1 to TNMP's Current Report on Form 8-K filed April 24, 2020	2-97230 TNMP
10.23	Bond Purchase Agreement dated July 14, 2021, between TNMP and the purchasers named therein ($65,000,000 of 2021 Bonds)	10.2 to TNMP's Current Report on Form 8-K filed July 14, 2021	2-97230 TNMP
10.24**	PNMR 2014 Performance Equity Plan dated May 15, 2014	4.3 to PNMR's Form S-8 Registration Statement filed May 15, 2014	333-195974 PNMR
10.25**	First Amendment to PNMR 2014 Performance Equity Plan	99.1 to PNMR's Current Report on Form 8-K filed December 15, 2015	1-32462 PNMR
10.26**	Second Amendment to PNMR 2014 Performance Equity Plan effective January 1, 2017	10.2 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2016	1-32462 PNMR
10.27**	PNMR 2021 Officer Annual Incentive Plan dated March 29, 2021	10.1 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021	1-32462 PNMR
10.28**	PNMR 2018 Long-Term Incentive Plan dated March 28, 2018	10.2 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018	1-32462 PNMR
10.29**	First Amendment dated March 29, 2021 to PNMR 2018 Long-Term Incentive Plan	10.3 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021	1-32462 PNMR
10.30**	PNMR 2019 Long-Term Incentive Plan dated March 28, 2019	10.2 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019	1-32462 PNMR
10.31**	First Amendment to PNMR 2019 Long-Term Incentive Plan executed December 28, 2020	10.2 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.32**	Second Amendment dated March 29, 2021 to PNMR 2019 Long-Term Incentive Plan	10.4 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021	1-32462 PNMR
10.33**	PNMR 2020 Long-Term Incentive Plan dated March 30, 2020	10.9 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020	1-32462 PNMR
10.34**	First Amendment to PNMR 2020 Long-Term Incentive Plan executed December 28, 2020	10.6 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.35**	Second Amendment dated March 29, 2021 to PNMR 2020 Long-Term Incentive Plan	10.5 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021	1-32462 PNMR
10.36**	Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Charles Eldred, effective December 4, 2020	10.3 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.37**	Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Patricia Collawn, effective December 4, 2020	10.4 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR

10.38**	Letter Amendment to PNMR 2020 Long-Term Incentive Plan for Patrick Apodaca, effective December 4, 2020	10.5 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.39**	PNMR 2021 Long-Term Incentive Plan dated March 29, 2021	10.2 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021	1-32462 PNMR
10.40**	PNMR Director Deferred Stock Rights Program effective December 1, 2017	10.1 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2017	1-32462 PNMR
10.41**	Acknowledgement Form for officer restricted stock rights and awards granted under the PNMR 2014 Performance Equity Plan dated May 15, 2014	10.4.2 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2014	1-32462 PNMR
10.42**	2021 Director Compensation Summary	10.1 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.43**	Acknowledgement Form with attached Terms and Conditions for restricted stock rights granted to directors on and after 2018 under the PNMR 2014 Performance Equity Plan dated May 15, 2014	10.5 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2017	1-32462 PNMR
10.44**	PNMR Executive Spending Account Plan (amended and restated effective January 1, 2011)	10.4 to PNMR's Current Report on Form 8-K filed March 1, 2011	1-32462 PNMR
10.45**	First Amendment to PNMR Executive Spending Account Plan effective January 1, 2011	10.7 to PNMR's Current Report on Form 10-K for the year ended December 31, 2016	1-32462 PNMR
10.46**	Second Amendment to PNMR Executive Spending Account executed December 13, 2017	10.2 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2017	1-32462 PNMR
10.47**	Third Amendment to PNMR Executive Spending Account effective February 22, 2018	10.3 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018	1-32462 PNMR
10.48**	PNMR Executive Savings Plan II (amended and restated effective January 1, 2015)	10.1.2 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2014	1-32462 PNMR
10.49**	First Amendment to PNMR Executive Savings Plan II executed April 15, 2016	10.7 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016	1-32462 PNMR
10.50**	Second Amendment to PNMR Executive Savings Plan II executed December 28, 2020	10.7 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2020	1-32462 PNMR
10.51**	Summary of PNMR Officer Paid Time Off Program	10.6 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2016	1-32462 PNMR
10.52**	PNMR Annual Executive Physical Exam Program Wraparound Plan Document effective as of January 1, 2014	10.7 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2013	1-32462 PNMR
10.53**	PNMR Non-Union Severance Pay Plan effective December 1, 2021	Filed herewith	1-32462 PNMR
10.54**	PNMR Officer Retention Plan executed October 20, 2020, as amended and restated effective as of October 20, 2020	10.3 to PNMR's Current Report on Form 8-K filed October 21, 2020	1-32462 PNMR
10.55**	PNMR Officer Life Insurance Plan dated April 28, 2004	10.24.1 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004	333-32170 PNMR
10.56**	First Amendment to PNMR Officer Life Insurance Plan dated December 16, 2004	10.27 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2004.	333-32170 PNMR

10.57**	Second Amendment to PNMR Officer Life Insurance Plan executed April 15, 2007	10.5 to PNMR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007	1-32462 PNMR
10.58**	Third Amendment to the PNMR Officer Life Insurance Plan effective January 1, 2009	10.10 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2008	1-32462 PNMR
10.59**	Fourth Amendment to the PNMR Officer Life Insurance Plan effective January 1, 2009	10.15 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2008	1-32462 PNMR
10.60**	Fifth Amendment to the PNMR Officer Life Insurance Plan executed December 16, 2011	10.5 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2011	1-32462 PNMR
10.61**	PNMR Officer Financial Counseling Program offered by AYCO, a Goldman Sachs Company, effective January 9, 2020	Filed herewith	1-32462 PNMR
10.62**	PNMR Officers Long Term Disability Coverage Description for Prudential Policy effective January 1, 2012	10.8 to PNMR's Annual Report on Form 10-K for the year ended December 31, 2016	333-32170 PNMR
10.63**	Form of Amended and Restated Indemnity Agreement for PNMR officers and directors approved July 23, 2019	10.1 to PNMR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019	1-32462 PNMR
10.64	Supplemental Indenture of Lease dated as of July 19, 1966 between PNM and other participants in the Four Corners Project and the Navajo Indian Tribal Council	4-D to PNM's Registration Statement No. 2-26116	2-26116 PNM
10.65	Amendment and Supplement No. 1 to Supplemental and Additional Indenture of Lease dated April 25, 1985 between the Navajo Tribe of Indians and Arizona Public Service Company, El Paso Electric Company, Public Service Company of New Mexico, Salt River project Agricultural Improvement and Power District, Southern California Edison Company, and Tucson Electric Power Company (refiled)	10.1.1 to PNM's Annual Report on Form 10-K for year ended December 31, 1995	1-6986 PNM
10.66	Amendment and Supplement No. 2 to Supplemental and Additional Indenture of Lease with the Navajo Nation dated March 7, 2011	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-6986 PNM
10.67	Amendment and Supplement No. 3 to Supplemental and Additional Indenture of Lease with the Navajo Nation dated March 7, 2011	10.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-6986 PNM
10.68	Coal Supply Agreement dated July 1, 2015 between Westmoreland Coal Company and PNM	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015	1-6986 PNM
10.69	Amendment No. 1 to Coal Supply Agreement dated November 1, 2017 between Westmoreland Coal Company and PNM	10.4 to PNM's Annual Report on Form 10-K for the year ended December 31, 2017	1-6986 PNM
10.70	Amendment No. 2 to Coal Supply Agreement dated January 1, 2020 between Westmoreland San Juan Mining LLC and PNM	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020	1-6986 PNM
10.71	Amendment No. 3 to Coal Supply Agreement dated January 1, 2020 between Westmoreland San Juan Mining LLC and PNM	10.2 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020	1-6986 PNM
10.72	Amendment No. 4 to Coal Supply Agreement dated January 1, 2020 between Westmoreland San Juan Mining LLC and PNM	10.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020	1-6986 PNM

10.73	San Juan Project Restructuring Agreement executed as of July 31, 2015 among PNM, Tucson Electric Coal Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation	10.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015	1-6986 PNM
10.74	Restructuring Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement made as of July 31, 2015 among PNM, Tucson Electric Power Company, The City of Farmington, New Mexico, M-S-R Public Power Agency, The Incorporated County of Los Alamos, New Mexico, Southern California Public Power Authority, City of Anaheim, Utah Associated Municipal Power Systems, Tri-State Generation and Transmission Association, Inc., and PNMR Development and Management Corporation	10.4 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015	1-6986 PNM
10.75	New Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement made as of September 1, 2017 among PNM, Tucson Electric Power Company, The City of Farmington, New Mexico, The Incorporated County of Los Alamos, New Mexico and Utah Associated Municipal Power Systems	10.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017	1-6986 PNM
10.76	Arizona Nuclear Power Project Participation Agreement among PNM and Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Tucson Gas & Electric Company and El Paso Electric Company, dated August 23, 1973	5-T to PNM's Registration Statement No. 2-50338	2-50338 PNM
10.77	Amendments No. 1 through No. 6 to Arizona Nuclear Power Project Participation Agreement	10.8.1 to PNM's Annual Report on Form 10-K for year ended December 31, 1991	1-6986 PNM
10.78	Amendment No. 7 effective April 1, 1982, to the Arizona Nuclear Power Project Participation Agreement (refiled)	10.8.2 to PNM's Annual Report on Form 10-K for year ended December 31, 1991	1-6986 PNM
10.79	Amendment No. 8 effective September 12, 1983, to the Arizona Nuclear Power Project Participation Agreement (refiled)	10.58 to PNM's Annual Report on Form 10-K for year ended December 31, 1993	1-6986 PNM
10.80	Amendment No. 9 to Arizona Nuclear Power Project Participation Agreement dated as of June 12, 1984 (refiled)	10.8.4 to PNM's Annual Report of the Registrant on Form 10-K for year ended December 31, 1994	1-6986 PNM
10.81	Amendment No. 10 dated as of November 21, 1985 and Amendment No. 11 dated as of June 13, 1986 and effective January 10, 1987 to Arizona Nuclear Power Project Participation Agreement (refiled)	10.8.5 to PNM's Annual Report of the Registrant on Form 10-K for year ended December 31, 1995	1-6986 PNM
10.82	Amendment No. 12 to Arizona Nuclear Power Project Participation Agreement dated June 14, 1988, and effective August 5, 1988	19.1 to PNM's Quarterly Report on Form 10-Q for the quarter ended September 30, 1990	1-6986 PNM
10.83	Amendment No. 13 to the Arizona Nuclear Power Project Participation Agreement dated April 4, 1990, and effective June 15, 1991	10.8.10 to PNM's Annual Report on Form 10-K for the year ended December 31, 1990	1-6986 PNM
10.84	Amendment No. 14 to the Arizona Nuclear Power Project Participation Agreement effective June 20, 2000	10.8.9 to PNM's Annual Report on Form 10-K for the year ended December 31, 2000	1-6986 PNM
10.85	Amendment No. 15 to the Arizona Nuclear Power Project Participation Agreement dated November 29, 2010 and effective January 13, 2011	10.1 to PNM's Current Report on Form 8-K filed March 1, 2011	1-6986 PNM

10.86	Amendment No. 16, effective as of April 28, 2014, to the Arizona Nuclear Power Project Participation Agreement	10.3 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014	1-6986 PNM
10.87	Facility Lease dated as of December 16, 1985 between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 transaction) together with Amendments No. 1, 2 and 3 thereto (refiled)	10.18 to PNM's Annual Report on Form 10-K for year ended December 31, 1995	1-6986 PNM
10.88	Facility Lease dated as of July 31, 1986, between the First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 transaction) together with Amendments No. 1, 2 and 3 thereto (refiled)	10.19 to PNM's Annual Report on Form 10-K for year ended December 31, 1996	1-6986 PNM
10.89	Facility Lease dated as of December 15, 1986, between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 1 Transaction) together with Amendment No. 1 thereto (refiled)	10.21 to PNM's Annual Report on Form 10-K for year ended December 31, 1996	1-6986 PNM
10.90	Amendment No. 4 dated as of December 11, 2013 to Facility Lease dated as of December 16, 1985 as heretofore amended, between U.S. Bank National Association (ultimate successor to The First National Bank of Boston), as Owner Trustee, and PNM (Unit 1 transaction)	10.3 to PNM's Annual Report on Form 10-K for year ended December 31, 2013	1-6986 PNM
10.91	Facility Lease dated as of December 15, 1986, between The First National Bank of Boston, as Owner Trustee, and PNM (Unit 2 Transaction) together with Amendment No. 1 thereto (refiled)	10.22 to PNM's Annual Report on Form 10-K for year ended December 31, 1996	1-6986 PNM
10.92	Amendment No. 2 dated as of March 18, 2014, to the Facility Lease dated December 15, 1986, as heretofore amended, between U.S. Bank National Association, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement, dated as of December 15, 1986, with PV2-PNM December 35 Corporation, Lessor, and PNM, Lessee	10.1 to PNM's Current Report on Form 8-K filed March 18, 2014	1-6986 PNM
10.93	Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station dated March 15, 1996, between PNM and Mellon Bank, N.A.	10.68 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996	1-6986 PNM
10.94	Amendment Number One to the Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station dated January 27, 1997, between PNM and Mellon Bank, N.A.	10.68.1 to PNM's Annual Report on Form 10-K for year ended December 31, 1997	1-6986 PNM
10.95	Amendment Number Two to the Master Decommissioning Trust Agreement for Palo Verde Nuclear Generating Station between PNM and Mellon Bank, N.A.	10.68.2 to PNM's Annual Report on Form 10-K for year ended December 31, 2003	1-6986 PNM
10.96	Stipulation in the matter of PNM's transition plan Utility Case No. 3137, dated October 10, 2002 as amended by Amendment to Stipulated Agreement dated October 18, 2002	10.86 to PNM's Annual Report on Form 10-K for the year ended December 31, 2002	1-6986 PNM
10.97	Stipulation dated February 28, 2005 in NMPRC Case No. 04-00315-UT regarding the application of PNMR and TNMP for approval of the TNP acquisition	10.134 to PNMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005	1-32462 PNMR/ TNMP
Subsidiaries			
21	Certain subsidiaries of PNMR	Filed herewith	1-32462 PNMR
Auditor Consents			
23.1	Consent of KPMG LLP for PNM Resources, Inc.	Filed herewith	1-32462 PNMR
23.2	Consent of KPMG LLP for Public Service Company of New Mexico	Filed herewith	1-6986 PNM

Officer Certifications			
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-32462 PNMR
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-32462 PNMR
31.3	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-6986 PNM
31.4	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-6986 PNM
31.5	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	2-97230 TNMP
31.6	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith	2-97230 TNMP
32.1	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-32462 PNMR
32.2	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith	1-6986 PNM
32.3	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith	2-97230 TNMP
Additional Exhibits			
99.1*	Participation Agreement dated as of December 16, 1985, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 16, 1985 with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 with the Owner Trustee), and PNM (Unit 1 transaction), including Appendix A definitions, together with Amendment No. 1 dated July 15, 1986 and Amendment No. 2 dated November 18, 1986 (refiled)	99.2 to PNM's Annual Report on Form 10-K for year ended December 31, 1995	1-6986 PNM
99.2	Participation Agreement dated as of July 31, 1986, among the Owner Participant named herein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of July 31, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of July 31, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions together with Amendment No. 1 thereto (refiled)	99.5 to PNM's Annual Report on Form 10-K for year ended December 31, 1996	1-6986 PNM
99.3	Participation Agreement dated as of December 15, 1986, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 15, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 15, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions (Unit 1 Transaction) (refiled)	99.11 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM

99.4	Participation Agreement dated as of December 15, 1986, among the Owner Participant named therein, First PV Funding Corporation, The First National Bank of Boston, in its individual capacity and as Owner Trustee (under a Trust Agreement dated as of December 15, 1986, with the Owner Participant), Chemical Bank, in its individual capacity and as Indenture Trustee (under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 15, 1986, with the Owner Trustee), and Public Service Company of New Mexico, including Appendix A definitions (Unit 2 Transaction) (refiled)	99.14 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997	1-6986 PNM
99.5	Agreement for the Sale and Purchase of Wastewater Effluent, dated November 13, 2000, among the City of Tolleson, Arizona Public Service Company and Salt River Project Agricultural Improvement and Power District	99.19 to PNM's Annual Report on Form 10-K for year ended December 31, 2013	1-6986 PNM
99.6	Municipal Effluent Purchase and Sale Agreement dated April 23, 2010 between Cities of Phoenix, Mesa, Tempe, Scottsdale and Glendale, Arizona municipal corporations; and APS, SRP, acting on behalf of themselves and EPE, SCE, PNM, SCPPA, and Los Angeles Department of Water and Power	10.6 to PNM's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010	1-6986 PNM
XBRL Exhibits			
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the Inline XBRL document	Filed herewith	1-32462 PNMR/PNM/ TNMP
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith	1-32462 PNMR/PNM/ TNMP
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith	1-32462 PNMR/PNM/ TNMP
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith	1-32462 PNMR/PNM/ TNMP
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith	1-32462 PNMR/PNM/ TNMP
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith	1-32462 PNMR/PNM/ TNMP
104	Cover Page Inline XBRL File (included in Exhibits 101)	Filed herewith	1-32462 PNMR/PNM/ TNMP

* One or more additional documents, substantially identical in all material respects to this exhibit, have been entered into, relating to one or more additional sale and leaseback transactions. Although such additional documents may differ in other respects (such as dollar amounts and percentages), there are no material details in which such additional documents differ from this exhibit.

** Designates each management contract or compensatory plan or arrangement required to be identified pursuant to paragraph 3 of Item 15(a) of Form 10-K.

‡ Certain instruments defining the rights of holders of long-term debt of the registrants included in the financial statements of registrants filed herewith have been omitted because the total amount of securities authorized thereunder does not exceed 10% of the total assets of registrants. The registrants hereby agree to furnish a copy of any such omitted instrument to the SEC upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PNM RESOURCES, INC.
(Registrant)

Date: March 1, 2022 By /s/ P. K. Collawn
P. K. Collawn
Chairman, President, and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ P. K. Collawn P. K. Collawn Chairman, President, and Chief Executive Officer	Principal Executive Officer and Director	March 1, 2022
/s/ J. D. Tarry J. D. Tarry Senior Vice President and Chief Financial Officer	Principal Financial Officer	March 1, 2022
/s/ H. E. Monroy H. E. Monroy Vice President and Corporate Controller	Principal Accounting Officer	March 1, 2022
/s/ V.A. Bailey V.A. Bailey	Director	March 1, 2022
/s/ N.P. Becker N. P. Becker	Director	March 1, 2022
/s/ E. R. Conley E. R. Conley	Director	March 1, 2022
/s/ A. J. Fohrer A. J. Fohrer	Director	March 1, 2022
/s/ S. M. Gutierrez S. M. Gutierrez	Director	March 1, 2022
/s/ J.A. Hughes J.A. Hughes	Director	March 1, 2022
/s/ M. T. Mullarkey M. T. Mullarkey	Director	March 1, 2022
/s/ D. K. Schwanz D. K. Schwanz	Director	March 1, 2022

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PUBLIC SERVICE COMPANY OF NEW MEXICO
(Registrant)

Date: March 1, 2022 By /s/ P. K. Collawn
P. K. Collawn
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ P. K. Collawn P. K. Collawn President and Chief Executive Officer	Principal Executive Officer and Chairman of the Board	March 1, 2022
/s/ J. D. Tarry J. D. Tarry Senior Vice President and Chief Financial Officer	Principal Financial Officer and Director	March 1, 2022
/s/ H. E. Monroy H. E. Monroy Vice President and Corporate Controller	Principal Accounting Officer	March 1, 2022
/s/ R. N. Darnell R. N. Darnell	Director	March 1, 2022
/s/ C. N. Eldred C. N. Eldred	Director	March 1, 2022
/s/ C. M. Olson C. M. Olson	Director	March 1, 2022

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS-NEW MEXICO POWER COMPANY
(Registrant)

Date: March 1, 2022 By /s/ P. K. Collawn
P. K. Collawn
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	**Capacity**	**Date**
/s/ P. K. Collawn P. K. Collawn Chief Executive Officer	Principal Executive Officer and Chairman of the Board	March 1, 2022
/s/ J. D. Tarry J. D. Tarry Senior Vice President and Chief Financial Officer	Principal Financial Officer and Director	March 1, 2022
/s/ H. E. Monroy H. E. Monroy Vice President and Corporate Controller	Principal Accounting Officer	March 1, 2022
/s/ R. N. Darnell R. N. Darnell	Director	March 1, 2022
/s/ C. N. Eldred C. N. Eldred	Director	March 1, 2022
/s/ C. M. Olson C. M. Olson	Director	March 1, 2022
/s/ J. N. Walker J. N. Walker	Director	March 1, 2022

Exhibit 10.53

PNM Resources, Inc.
Non-Union Severance Pay Plan

(Effective December 1, 2021)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

PNM RESOURCES, INC.
NON-UNION SEVERANCE PAY PLAN

INTRODUCTION

Effective January 1, 2002, Public Service Company of New Mexico ("PNM") adopted the Public Service Company of New Mexico Benefits My Way Plan (the "BMW Plan"). Effective November 27, 2002, sponsorship of the Plan was transferred from PNM to PNM Resources, Inc. ("PNM Resources") and the Plan was renamed the "PNM Resources, Inc. Benefits My Way Plan." The BMW Plan consisted of a number of component programs including Program 12, Non-Union Severance Pay Program (the "Non-Union Severance Program").

Effective as of January 1, 2004, PNM Resources amended and restated the BMW Plan to divide it into a number of separate plans that replace the component programs in effect on December 31, 2003. As part of the amendment and restatement, the PNM Resources, Inc. Non-Union Severance Pay Plan (the "Plan") was created as a successor plan to the Non-Union Severance Program. The Plan was last restated effective August 1, 2007. By execution of this document, PNM Resources hereby amends and restates the Plan in its entirety, effective as of December 1, 2021 (the "Effective Date"). This amended and restated Plan document applies only to a Participant (1) who receives a Notice of Impaction on or after the Effective Date and (2) who incurs a Separation from Service on or after the Effective Date.

ARTICLE I
PURPOSE

1.1 **General**. The purpose of the Plan is to provide severance benefits to eligible Participants. The Plan provides two forms of severance benefits: (a) Severance Benefits; and (b) Officer Group Severance Benefits.

ARTICLE II
DEFINITIONS

2.1 **Definitions**. When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be a term defined in this Article II or in the Introduction. The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth below, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) **"Affiliate"** means (1) any member of a "controlled group of corporations" (within the meaning of Section 414(b) of the Code as modified by Section 415(h) of the Code) that includes PNM Resources as a member of the group; and (2) any member of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code as modified by Section 415(h) of the Code) that includes PNM Resources as a member of the group.

“50% Affiliate” means any of the following: (1) an entity that would be a member of a “controlled group of corporations” (within the meaning of Section 414(b) of the Code as modified by Section 415(h) of the Code) that includes the Company as a member of the group if for purposes of applying Section 1563(a)(1), (2) or (3) of the Code for determining the members of a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Section 1563(a)(1), (2) and (3); and (2) an entity that would be a member of a group of trades or businesses under common control (within the meaning of Section 414(c) of the Code) that includes the Company as a member of the group if for purposes of applying Treas. Reg. § 1.414(c)-2 for purposes of determining the members of a group of trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treas. Reg. § 1.414(c)-2.

(b) **“Base Salary”** means the annual rate of base earnings of a Participant immediately preceding his or her Separation from Service:

(1) exclusive of overtime pay, bonuses, commission, payments for accrued vacations or other special payments; and

(2) before any deductions, including, but not limited to, any federal, state or other taxes, and salary reduction amounts contributed to benefit plans or programs.

(c) **“Benefits Department”** means the organizational unit of PNMR Services Company with responsibility for administering benefit programs sponsored by PNM Resources and its Affiliates.

(d) **“Board”** means the Board of Directors of PNM Resources.

(e) **“Cause”** means, for purposes of termination of a Participant’s employment:

(1) The willful and continued failure of a Participant to substantially perform his or her duties with the Company after written demand for substantial performance is delivered to the Participant which specifically identifies the manner in which the Participant has not substantially performed his or her duties;

(2) The willful failure to report to work for more than thirty (30) days; or

(3) The willful engaging by the Participant in conduct which is demonstrably and materially injurious to PNM Resources or any Affiliate, monetarily or otherwise, including acts of fraud, misappropriation, violence or embezzlement for personal gain at the expense of PNM Resources or any Affiliate, conviction of a felony, or conviction of a misdemeanor involving immoral acts.

Cause shall not be deemed to exist on the basis of clauses (1) or (2) if the failure results from such Participant’s incapacity due to verifiable physical or Mental Illness substantiated by appropriate medical evidence. An act, or failure to act, by a Participant shall not be deemed "willful" if done or omitted to be done by the Participant in good faith and with a reasonable belief that his or her action was in the best interests of the Company.

(f) **"Code"** means the Internal Revenue Code of 1986, as amended.

(g) **"Committee"** means the PNM Resources' Benefits Governance Committee or any successor to the Benefits Governance Committee.

(h) **"Company"** means, collectively, PNM Resources or any Affiliate of PNM Resources that is authorized by the Board to adopt the Plan and which has adopted the Plan pursuant to Article IX (Adoption by Affiliates).

(i) **"Effective Date"** means December 1, 2021.

(j) **"Employee"** means a common law employee who is a full-time employee of the Company scheduled to work at least thirty-two (32) hours per week, or a regular part-time or job share employee scheduled to work at least twenty (20) hours per week. Examples of individuals who are not "Employees" of the Company for this purpose include: (1) consultants; (2) leased employees or workers; (3) individuals providing services to the Company pursuant to a contract with a third party; (4) temporary employees or workers; (5) independent contractors; (6) employees of independent contractors; (7) interns; and (8) co-op employees.

(k) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.

(l) **"Health Plan"** means the PNM Resources, Inc. Comprehensive Health Plan as it may be amended or restated from time to time or any successor plan or plans that provide the benefits currently provided under such plan.

(m) **"Impaction"** means the elimination of a Participant's position by the Company, as approved by the President of the Company or his or her authorized designee, followed by the Company giving a Notice of Impaction to the Participant and the Participant's subsequent Separation from Service due to the Participant's termination of employment by the Company.

(n) **"Management Group"** means any Participant who is in salary grade G04 through G01 at the time of Impaction.

(o) **"Mental Illness"** means any disorder, other than a disorder induced by alcohol or drug abuse, which impairs the behavior, emotional reaction or thought process of a person.

(p) **"Notice of Impaction"** means a written notice issued by the Company, at its sole discretion, to the Participant stating that his or her position with the Company has been selected for Impaction.

(q) **"Officer Group"** means Employees who are officers of the Company and are in salary grades H18 or higher at the time of Impaction.

(r) **"Officer Group Severance Benefits"** means the benefits described in Section 4.2 (Officer Group Severance Benefits).

(s) **"Officer Retention Plan"** means the PNM Resources, Inc. Officer Retention Plan, as amended, with the most recent amendment and restatement effective as of October 20, 2020.

(t) **"Participant"** means any Employee who has satisfied the eligibility requirement for participation in the Plan as set forth in Section 3.1 (Participation).

(u) **"Plan"** means the PNM Resources, Inc. Non-Union Severance Pay Plan, as set forth in this document and as it may be amended from time to time.

(v) **"Plan Year"** means a twelve (12) month period commencing on each January 1 and ending on each following December 31.

(w) **"PNM Resources"** means PNM Resources, Inc. As used in the Plan, "PNM Resources" also means any successor in interest to PNM Resources resulting from merger, consolidation, or transfer of substantially all of PNM Resources' assets.

(x) **"Release Agreement"** means the Employment Termination and Release Agreement to be executed by a Participant in order to be eligible for and receive Severance Benefits pursuant to Section 4.1 (Severance Benefits) or Officer Group Severance Benefits pursuant to Section 4.2 (Officer Group Severance Benefits). The Release Agreement shall be prepared only by the Company.

(y) **"Separation from Service"** means either (1) the termination of a Participant's employment with the Company and all Affiliates and 50% Affiliates due to death, retirement, or other reasons, or (2) a permanent reduction in the level of bona fide services the Participant provides to the Company and all Affiliates and 50% Affiliates to an amount that is 20% or less of the average level of bona fide services the Participant provided to the Company and all Affiliates and 50% Affiliates in the immediately preceding 36 months, with the level of bona fide service calculated in accordance with Treas. Reg. § 1.409A-1(h)(1)(ii).

A Participant's employment relationship is treated as continuing while a Participant is on military leave, sick leave, or other bona fide leave of absence (if the period of such leave does not exceed six months, or if longer, so long as a Participant's right to reemployment with the Company or an Affiliate or 50% Affiliate is provided either by statute or contract). If a Participant's period of leave exceeds six months and a Participant's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following the expiration of such six-month period. Whether a termination of employment has occurred will be determined based on all of the facts and circumstances and in accordance with regulations issued by the United States Treasury Department pursuant to Section 409A of the Code.

(z) **"Severance Benefits"** means the benefits described in Section 4.1 (Severance Benefits).

(aa) **"Year of Service"** means a twelve (12) month period during which an Employee performs services for the Company, counting each month as one-twelfth (1/12th) of a year if the Employee was employed by the Company on any day of that calendar month. If the Employee's employment with the Company includes a break in employment, then only the Years of Service in the last period of employment will be considered Years of Service.

Any Employee who was employed by TNP Enterprises, Inc. or its subsidiaries on the closing date of the transaction pursuant to which PNM Resources acquired all of the outstanding stock of TNP Enterprises, Inc. and who immediately after the closing date of the transaction was employed by the PNM Resources, TNP Enterprises or the Affiliates of either shall receive credit for all service with TNP Enterprises, Inc., Texas-New Mexico Power Company, First Choice Power, Inc. or any other TNP Enterprises, Inc. subsidiary as if such service were performed for the Company. Such service will be credited on a reasonably uniform basis for all such Employees.

Any Employee who was employed by Twin Oaks Power LP and its affiliates on the closing date of the transaction pursuant to which Altura Power, L.P. acquired certain assets of Twin Oaks Power LP and its affiliates and who immediately after the closing date of the transaction was employed by the Company shall receive credit for all service with Twin Oaks Power LP and its affiliates as if such service were performed for the Company. Such service will be credited on a reasonably uniform basis for all such employees.

Persons employed in the service of EnergyCo, LLC, Optim Energy, LLC or its affiliates immediately before becoming an employee of the Company shall receive credit for all service with EnergyCo, LLC, Optim Energy, LLC or its affiliates as if such service were performed for the Company. Service will be credited on a reasonably uniform basis.

2.2 **Special Purpose Definitions**. Additional definitions of terms that have limited application may be set forth in the Section or Sections to which they apply.

2.3 **Construction**. The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of New Mexico and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other applicable Federal law.

ARTICLE III
ELIGIBILITY

3.1 **Participation**. An Employee will become a Participant in the Plan as of the day on which the Employee completes six months of service. If an Employee terminates employment prior to completing six months of service, the Employee shall not become a Participant and shall not be entitled to receive any benefits under this Plan.

3.2 **Benefits Due to Impaction Only**. This Plan provides benefits only if a Participant is Impacted. As provided in Section 2.1(m) (Definitions – Impaction), a Participant will be considered to be "Impacted" (and entitled to receive benefits) only if all of the following conditions exist:

(a) The Participant's position is eliminated by the Company;

(b) The Company issues a Notice of Impaction to the Participant stating that his or her position has been selected for Impaction; and

(c) The Participant incurs a Separation from Service due to the Participant's termination of employment by the Company. If a Participant's position is eliminated, but the Participant is not actually terminated by the Company (for example, due to a transfer to another position), the Participant is not entitled to receive benefits. Similarly, if a Participant's duties change, but the Participant is not actually terminated by the Company, the Participant is not entitled to receive benefits. If a Participant's employment is terminated by the Company, but the Participant's position is not eliminated, the Participant is not entitled to receive benefits under this Plan.

3.3 **Eligibility for Severance Benefits**. In order to be eligible for Severance Benefits, a Participant must (a) satisfy the requirements of Section 3.2 (Benefits Due to Impaction Only), (b) not be ineligible to receive benefits under Section 3.6 (Certain Employees Ineligible for Benefits), and (c) sign, deliver, and not revoke a Release Agreement pursuant to Section 3.5 (Release Agreement) below.

3.4 **Eligibility for Officer Group Severance Benefits**. In order to be eligible for Officer Group Severance Benefits, a Participant must (a) be a member of the Officer Group, (b) satisfy the requirements of Section 3.2 (Benefits Due to Impaction Only) other than Section 3.2(b) (Benefits Due to Impaction Only) (relating to receipt of a Notice of Impaction), (c) not be ineligible to receive benefits under Section 3.6 (Certain Employees Ineligible for Benefits), and (d) sign, deliver, and not revoke a Release Agreement pursuant to Section 3.5 (Release Agreement) below.

3.5 **Release Agreement**. The Release Agreement required by Sections 3.3 (Eligibility for Severance Benefits) and 3.4 (Eligibility for Officer Group Severance Benefits) shall comply with the requirements of this Section.

(a) **General**. The Release Agreement shall contain such terms and conditions as are satisfactory to the Company, including, but not limited to, the release of any and all claims that the Participant may then have, as of the signing of such release, against the Company, its employees, officers and directors. The Participant shall generally receive the Release Agreement on the date of the Participant's Separation from Service and in no event more than five (5) days following the Participant's Separation from Service and shall have up to forty-five (45) unpaid days following the date the Release Agreement is given to the Participant to sign and return the Release Agreement to the Company.

(b) **Revocation of the Release Agreement**. Within seven (7) calendar days after delivery of the Release Agreement to the Company by the Participant, the Participant shall be entitled to revoke the Release Agreement by returning the signed copy or counterpart original of the Release Agreement to the Company. The returned Release Agreement shall include the Participant's written signature in a space provided thereon, indicating his or her decision to revoke the Release Agreement.

(c) **Impact of Revocation**. The revocation of a previously signed and delivered Release Agreement pursuant to the above shall be deemed to constitute an irrevocable election by the Participant to have declined the election of Severance Benefits and Officer Group Severance Benefits.

(d) **Release Requirement**. For the avoidance of doubt, no benefits are due under this Plan if the Participant fails to comply with the release requirements described in this Section 3.5.

3.6 **Certain Employees Ineligible for Benefits**. The following Employees shall be ineligible to receive Severance Benefits or Officer Group Severance Benefits under this Plan:

(a) Employees whose terms and conditions of employment are subject to collective bargaining;

(b) Employees whose employment with the Company is terminated for Cause;

(c) Employees who voluntarily resign from employment with the Company;

(d) Employees whose employment with the Company is terminated due to a sale of the Company or a portion of the Company if the Employee is offered a position with the acquiror (regardless of whether the position is "comparable" to the Participant's current position with the Company), regardless of whether the Participant accepts or declines such offer of employment; or

(e) Employees who do not terminate employment with the Company and all of its Affiliates and 50% Affiliates.

ARTICLE IV
BENEFITS

4.1 **Severance Benefits**. Participants satisfying the eligibility requirements set forth in Section 3.3 (Eligibility for Severance Benefits) shall be entitled to the following benefits:

(a) **Severance Pay**. Severance pay shall be in a lump-sum amount equal to four (4) months of Base Salary, plus one (1) additional week of Base Salary for each Year of Service. The Plan also provides additional severance pay based on a Participant's Years of Service as follows:

(1) **Additional Severance Pay for Participants with less than 10 Years of Service**. If a Participant has less than ten (10) Years of Service at the time of the Participant's Separation from Service, the Participant shall receive an additional ten percent (10%) of the amount of severance pay provided for in the first sentence of this Section 4.1(a).

(2) **Additional Severance Pay for Participants with at least 10 Years of Service but less than 20 Years of Service**. If a Participant has at least ten (10) Years of Service but less than twenty (20) Years of Service at the time of the Participant's Separation from Service, the Participant shall receive an additional twenty percent (20%) of the amount of severance pay provided for in the first sentence of this Section 4.1(a).

(3) **Additional Severance Pay for Participants with 20 or More Years of Service**. If a Participant has twenty (20) or more Years of Service at the time of the Participant's Separation from Service, the Participant shall receive an additional thirty percent (30%) of the amount of severance pay provided for in the first sentence of this Section 4.1(a).

(b) Medical, Dental and Vision Coverage. Medical, dental and vision coverage under the Health Plan, as the Participant had elected prior to the Participant's Separation from Service, shall be provided for the six (6) months immediately following the Participant's Separation from Service with the cost of such coverage to be shared by the Company and the Participant on the same basis as in effect prior to the Participant's Separation from Service. Participant contributions that were required for participation in the Health Plan will continue to be required during the six (6) month continuation period. No Participant may elect to receive cash or any other allowance in lieu of medical, dental or vision coverage under the Health Plan.

(c) COBRA Continuation Coverage. Continuation of coverage under the Health Plan pursuant to Section 4980B of the Code will become effective upon completion of the six (6) month period.

(d) Life Insurance. Term life insurance coverage in the face amount of Ten Thousand Dollars ($10,000) will be Company-paid for the six (6) months following the Participant's Separation from Service.

(e) Placement Assistance for Employees who are not Members of the Management Group. For Participants who are not members of the Management Group, the Company will provide the Participant with placement assistance for up to six (6) months following the Participant's Separation from Service, either internally or through an outside consultant.

(f) Placement Assistance for Employees who are Members of the Management Group. For Participants who are members of the Management Group, the Company will pay the Participant a lump sum amount equal to one (1) month's Base Salary and the Company will provide the Participant with placement assistance for up to six (6) months following the Participant's Separation from Service, either internally or through an outside consultant.

4.2 Officer Group Severance Benefits. Participants satisfying the eligibility requirements of Section 3.4 (Eligibility for Officer Group Severance Benefits) shall be entitled to receive the following benefits:

(a) Severance Pay. Severance pay shall be in a lump-sum amount equal to fourteen (14) months of Base Salary (with no additional cost-of-living allowance, promotion, merit or other increases), plus one (1) additional week of Base Salary for each Year of Service.

(b) **Medical, Dental and Vision Coverage**. Medical, dental and vision coverage under the Health Plan, as the Participant had elected prior to the Participant's Separation from Service, shall be provided for the twelve (12) months immediately following the Participant's Separation from Service with the cost of such coverage to be shared by the Company and the Participant on the same basis as in effect prior to the Participant's Separation from Service. Participant contributions that were required for participation in the Health Plan will continue to be required during the twelve (12) month continuation period. No Participant may elect to receive cash or any other allowance in lieu of medical, dental or vision coverage under the Health Plan.

(c) **COBRA Continuation Coverage**. Continuation of coverage under the Health Plan pursuant to Section 4980B of the Code will become effective upon completion of the twelve (12) month period.

(d) **Life insurance and Accidental Death & Dismemberment Insurance**. Term life insurance coverage and accidental death and dismemberment insurance coverage in the face amount of one (1) times Base Salary will be Company-paid for the twelve (12) months following the Participant's Separation from Service.

(e) **Placement Assistance**. The Company will reimburse the Participant for his or her placement assistance expenses, up to a maximum of five percent (5%) of the Participant's Base Salary. Placement assistance for Participants shall include, but not be limited to, any of the following types of expenses:

(1) out-of-town travel (*i.e.*, airfare, mileage, rental cars, lodging and meals;

(2) services for outplacement;

(3) resume preparation and mailing; and

(4) recruitment or employment agencies' fees.

Reimbursements pursuant to this paragraph will only be for expenses incurred within nine (9) months following the Participant's Separation from Service. Requests for reimbursements must be submitted within twelve (12) months following the Participant's Separation from Service.

(f) **Cap on Officer Group Severance Benefits**. If the benefits due pursuant to this Section 4.2 exceed the benefits that would be payable under the Officer Retention Plan, following a "Change in Control" (as defined in the Officer Retention Plan), the benefits due under this Plan shall be reduced to an amount equal to the benefits that would be due under the Officer Retention Plan. The provisions of this Section 4.2(f) shall apply regardless of whether there has been a Change in Control and regardless of whether the Participant is eligible for benefits pursuant to the Officer Retention Plan.

4.3 Payment Date. All payments shall be made in accordance with this Section 4.3.

(a) General Rule. Notwithstanding any other provision of this Plan to the contrary, no payment shall be made prior to the Participant's Separation from Service. Cash severance benefits, if any, due to a Participant shall be paid within ten (10) business days following the last day on which a Participant may revoke a previously executed and timely delivered Release Agreement.

(b) Payment Disputes. If a payment is not made due to a dispute with respect to such payment, the payment may be delayed in accordance with Treas. Reg. § 1.409A-3(g).

(c) Ban on Acceleration or Deferral. Under no circumstances may the time or schedule of any payment made or benefit provided pursuant to this Agreement be accelerated or subject to a further deferral except as otherwise permitted or required pursuant to regulations and other guidance issued pursuant to Section 409A of the Code.

(d) No Elections. No Participant has any right to make any election regarding the time or form of any payment due under this Agreement.

4.4 Suspension of Benefits. Medical, dental, vision, and life insurance and accidental death and dismemberment insurance benefits being received by a Participant pursuant to the terms and conditions of this Article IV shall terminate in the event, and at the time that, the Participant is subsequently rehired as an Employee of the Company.

4.5 No Duplication of Benefits. Notwithstanding anything herein to the contrary, the right to receive any benefits under the Plan by any Participant is specifically conditioned upon the Participant either waiving or being ineligible for any and all benefits under:

(a) the PNM Resources, Inc. Employee Retention Plan, as it may be amended or restated from time to time;

(b) the PNM Resources, Inc. Union Severance Pay Plan, as it may be amended or restated from time to time; or

(c) any successor or other severance, retention or change in control plan, program or agreement sponsored by the Company.

If a Participant is eligible to receive benefits under the Officer Retention Plan, the Participant is ineligible for benefits under this Plan. A Participant may not elect to receive benefits under this Plan in lieu of benefits due pursuant to the Officer Retention Plan.

This Section 4.5 shall not apply to any individual agreement that provides a Participant with a special payment in order to induce the Participant to remain employed by the Company unless the agreement specifically states otherwise. The Company also may override the provisions of this Section 4.5 by expressly stating in the other change in control, severance, retention or other plan or agreement that some or all of the benefits provided by the other change in control, severance, retention or other plan or agreement are intended to supplement the benefits provided by this Plan.

4.6 **Effect of Rehire**. Notwithstanding any provision to the contrary, the Company may require a Participant to repay some or all of the benefits received under the Plan as a condition of reemployment.

ARTICLE V
PLAN ADMINISTRATION

5.1 **Plan Administration**. The Committee shall administer the Plan. The Committee shall be the "Named Fiduciary" for purposes of ERISA and shall have the authority to control, interpret and construe the Plan and manage the operations thereof. Any such interpretation and construction of any provisions of the Plan by the Committee shall be final. The Committee shall, in addition to the foregoing, exercise such other powers and perform such other duties as it may deem advisable in the administration of the Plan. The Committee may delegate some (or all) of its authority hereunder to the Benefits Department. The Committee also may engage agents and obtain other assistance from the Company, including Company counsel. The Committee shall not be responsible for any action taken or not taken on the advice of legal counsel. The Committee is given specific authority to allocate and revoke responsibilities among its members or designees. When the Committee has allocated authority pursuant to the foregoing, the Committee shall not be liable for the acts or omissions of the party to whom such responsibility has been allocated, except to the extent provided by law.

5.2 **Claims Procedures**.

(a) **Initial Claim**. A claim for benefits under the Plan must be submitted to the Benefits Department.

(1) **Notice of Decision**. Written notice of the disposition of the claim shall be furnished to the claimant within a reasonable period of time, but not later than ninety (90) days after receipt of the claim by the Benefits Department, unless the Benefits Department determines that special circumstances require an extension of time for processing the claim. If the Benefits Department determines that an extension is required, written notice (including an explanation of the special circumstances requiring an extension and the date by which the Benefits Department expects to render the benefits determination) shall be furnished to the claimant prior to the termination of the original ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. If the claim is denied, the notice required pursuant to this Section shall set forth the following:

(A) The specific reason or reasons for the adverse determination;

(B) Special reference to the specific Plan provisions upon which the determination is based;

(C) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(D) An explanation of the Plan's appeal procedure and the time limits applicable to an appeal, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

(b) **Appeal Procedures**. Every claimant shall have the right to appeal an adverse benefits determination to the Committee (including, but not limited to, whether the Participant's Separation from Service was for Cause). Such an appeal may be accomplished by a written notice of appeal filed with the Committee within sixty (60) days after receipt by the claimant of written notification of the adverse benefits determination. Claimants shall have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. Claimants will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits, such relevance to be determined in accordance with Section 5.2(c) below. The appeal shall take into account all comments, documents, records, and other information submitted by claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(1) **Notice of Decision**. Notice of a decision on appeal shall be furnished to the claimant within a reasonable period of time, but not later than sixty (60) days after receipt of the appeal by the Committee unless the Committee determines that special circumstances (such as the need to hold a hearing if the Committee determines that a hearing is required) require an extension of time for processing the claim. If the Committee determines that an extension is required, written notice (including an explanation of the special circumstances requiring an extension and the date by which the Committee expects to render the benefits determination) shall be furnished to the claimant prior to the termination of the original sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial sixty (60) day period. The notice required by the first sentence of this Section shall be in writing, shall be set forth in a manner calculated to be understood by the claimant and, in the case of an adverse benefit determination, shall set forth the following:

(A) The specific reason or reasons for the adverse determination;

(B) Reference to the specific Plan provisions upon which the determination is based;

(C) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, such relevance to be determined in accordance with Section 5.2(c), below; and

(D) An explanation of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

(c) **Definition of Relevant**. For purposes of this Section, a document, or other information shall be considered "relevant" to the claimant's claim if such document, record or other information:

(1) Was relied upon in making the benefit determination;

(2) Was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or other information was relied upon in making the benefit determination; or

(3) Demonstrates compliance with the administrative processes and safeguards required pursuant to this Section 5.2 on making the benefit determination.

(d) **Decisions Final; Procedures Mandatory**. To the extent permitted by law, a decision on review or appeal shall be binding and conclusive upon all persons whomsoever. To the extent permitted by law, completion of the claims procedures described in this Section shall be a mandatory precondition that must be complied with prior to commencement of a legal or equitable action in connection with the Plan by a person claiming rights under the Plan. The Committee may, in its sole discretion, waive these procedures as a mandatory precondition to such an action.

(e) **Time For Filing Legal Or Equitable Action**. Any legal or equitable action filed in connection with the Plan by a person claiming rights under the Plan must be commenced not later than the earlier of: (1) the shortest applicable statute of limitations provided by law; or (2) two (2) years of the date the written copy of the Committee's decision on review is delivered to the claimant in accordance with Section 5.2(b)(1).

(f) **Restriction on Venue**. A Claimant shall only bring an action in connection with the Plan in Federal District Court in Albuquerque, New Mexico.

ARTICLE VI
BINDING AGREEMENT

6.1 **General**. Subject to the right of PNM Resources to amend or terminate the Plan, and the Committee's right to interpret the Plan, the Plan shall be for the benefit of and be enforceable by, a Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die after satisfying the requirements for the receipt of benefits hereunder, any amount remaining unpaid to him or her, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's designee or, if there is no such designee, to the Participant's estate.

ARTICLE VII
NOTICE

7.1 **General**. For the purpose of the Plan, and except as specifically set forth herein, notices and all other communications provided for in the Plan shall be in writing and shall be deemed to have been duly given when hand-delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed to the Participant at his or her last known address, and to the Company at Alvarado Square, Albuquerque, New Mexico, 87158, provided that all notices to the Company shall be directed to the attention of the Vice President, Human Resources; or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

ARTICLE III
AMENDMENT AND TERMINATION

8.1 **General**. The Plan may be amended, in whole or in part, or terminated at any time, by PNM Resources subject to the following exceptions:

(a) No amendment or termination of the Plan shall impair or abridge the obligations of the Company already incurred.

(b) No amendment or termination of the Plan shall affect the rights of a Participant who terminated employment before the effective date of such amendment or termination and who (1) received a Notice of Impaction before the Effective Date and (2) incurred a Separation from Service before the Effective Date.

(c) Notwithstanding the foregoing, the Plan may be amended at will at any time and from time to time by PNM Resources to reflect changes necessary due to revisions to, or interpretations of: (1) ERISA; (2) the Code; or (3) any other provision of applicable state or federal law.

(d) Notwithstanding any provision of this Plan to the contrary, no amendment may be made if it will result in a violation of Section 409A of the Code and any such amendment shall at no time have any legal validity.

ARTICLE IX
ADOPTION BY AFFILIATES

9.1 **Adoption by Affiliates**.

(a) An Affiliate, by action of its board of directors, may adopt the Plan with respect to its Employees only with the approval of the Board.

(b) Except as otherwise clearly indicated by the context "Company" as used herein shall include each Affiliate that has adopted this Plan in accordance with this Section 9.1.

(c) By adopting the Plan, each participating Affiliate shall be deemed to have agreed to:

(1) Assume the obligations and liabilities imposed upon it by the Plan with respect to the its Employees;

(2) Comply with all of the terms and provisions of the Plan;

(3) Delegate to the Committee the power and responsibility to administer the Plan with respect to the Affiliate's Employees;

(4) Delegate to PNM Resources the full power to amend or terminate the Plan with respect to the Affiliate's Employees; and

(5) Be bound by any action taken by PNM Resources pursuant to the terms and provisions of the Plan, regardless of whether such action is taken with or without the consent of the Affiliate.

(d) If an Employee is transferred between Affiliates or 50% Affiliates, the Employee shall not be deemed to have terminated employment for purposes of this Plan.

(e) Any Affiliate that has adopted this Plan for the benefit of its Employees may terminate its adoption of the Plan by action of its board of directors and timely providing notice to PNM Resources of such termination.

(f) PNM Resources and each participating Affiliate shall bear the costs and expenses of providing benefits to their respective Employees who are Participants. Such costs and expenses shall be allocated among PNM Resources Affiliates in accordance with agreements entered into between PNM Resources and any participating Affiliate, or in the absence of such an agreement, procedures adopted by PNM Resources.

ARTICLE X
MISCELLANEOUS

10.1 **Withholding**. Any payments provided for hereunder shall be paid subject to any applicable withholding required under federal, state or local law.

10.2 **No Right of Assignment**. Neither a Participant nor any person taking on behalf of a Participant may anticipate, assign or alienate (either by law or equity) any benefit provided under the Plan and the Company shall not recognize any such anticipation, assignment or alienation. Furthermore, to the extent permitted by law, a benefit under the Plan is not subject to attachment, garnishment, levy, execution or other legal or equitable process.

10.3 **No Employment Contract**. Notwithstanding anything to the contrary contained in the Plan, by the execution of the Plan, the Company does not intend to change the employment-at-will relationship with any of its employees. Instead, the Company retains its absolute right to terminate any employee at any time.

10.4 **Mitigation of Benefits**. The Participant shall not be required to mitigate the amount of payment provided for in the Plan by seeking other employment or otherwise, and except as set forth in the Plan, the amount of any payment or benefit provided for shall not be reduced by any compensation earned by the Participant as the result of employment by another employer, or by retirement benefits received.

10.5 **Service of Process**. The Secretary of PNM Resources shall be the agent for service of process in matters relating to the Plan.

10.6 **ERISA Plan**. The Plan shall be interpreted as, and is intended to qualify as, a severance pay plan under ERISA, and therefore does not constitute an employee pension benefit plan pursuant to Section 3(2) of ERISA.

10.7 **Compliant Operation and Interpretation**. This Plan shall be operated in compliance with Section 409A or an exception thereto and each provision of this Plan shall be interpreted, to the extent possible, to comply with Section 409A or to qualify for an exception thereto.

IN WITNESS WHEREOF, the Company has caused this Plan document to be executed by its duly authorized representative on this 22nd day of November, 2021.

PNM RESOURCES, INC.

By: /s/ Patrick Apodaca

Its: Senior V.P. and General Counsel

Exhibit 10.61

Summary of Officer Financial Counseling Program

All officers of PNM Resources are eligible to participate in the financial counseling program offered by AYCO. Services provided by AYCO include: assisting officers with developing comprehensive financial plans, educating officers on compensation and benefit programs, providing cash-flow strategies, tax planning and preparation, retirement planning, investment planning, evaluating insurance coverage, and estate planning. Benefits provided by the financial counseling program are in addition to the benefits provided under the Company's Executive Choice Plan.

AYCO

A GOLDMAN SACHS COMPANY

January 9, 2020

PERSONAL & CONFIDENTIAL

Elisabeth Eden
Vice President, Human Resources PNM Resources, Inc.
414 Silver Ave SW Albuquerque, NM 87102

Dear Ms. Eden:

The Ayco Company, LP. ("Ayco") is pleased to provide PNM Resources, Inc. (11Company") with a Comprehensive Financial Counseling Program ("Counseling Program"). The enclosed terms and conditions are incorporated herein and made a part of this engagement letter ("Agreement"). Ayco's engagement is effective as of January 9, 2020 ("Effective Date").

Please sign and return a copy of this Agreement at your earliest convenience. Once again, on behalf of Ayco, we are very pleased that you have selected us to be of service to your executives.

Sincerely, Accepted:

THE AYCO COMPANY, L.P.		PNM RESOURCES, INC.	
By:	**/s/ John Pellegrino**	By:	/s/ Elisabeth Eden
	John Pellegrino	Name:	Elisabeth Eden
	Vice President, Operations	Title:	VP, Human Resources
		Tax ID No.:	85-0468296

cc: Randy D. Roe, Senior Vice President and Region Head, Southwest

TERMS & CONDITIONS

1. Term of Agreement; Termination. The term of this Agreement will commence on the Effective Date through December 31, 2020 and will, thereafter, automatically renew for successive terms of one year each. Either party may terminate this Agreement at any time by providing 30 days advance written notice of termination to the other party. In the event of termination, Ayco will be compensated for services rendered through the date of termination.

2. Account Maintenance Fee. The annual account maintenance fee ("Account Maintenance Fee") is waived by Ayco. Any annual Account Maintenance Fee for future terms will be mutually agreed to by the parties in writing. The Account Maintenance Fee covers costs incurred by Ayco in connection with the collection and analysis of Company's benefits and compensation plans for the purpose of counseling executives participating in the Counseling Program, direct access to services offered by Ayco's Benefits and Compensation Group and ongoing administration of the Counseling Program.

3. Counseling Fee. The annual counseling fee for each executive in the Counseling Program is $15,000 ("Counseling Fee"). A prorated portion of the Counseling Fee will be billed as of the commencement of services through such later semi-annual billing date as will be indicated in Ayco's invoice. Thereafter, the Counseling Fee for each executive will be billed on a semi-annual basis. The Counseling Fee will be billed only for those executives who choose to participate in the Counseling Program. The Company will notify Ayco as to the executives who are participating in the Counseling Program. The Company **will** not pay the Counseling Fee for any executive unless and until the Company notifies Ayco of the executive's participation.

4. Fees and Expenses. All fees for each successive term will be subject to an increase based on an increase in the Consumer Price Index (CPI-U) for the services industry. This increase will be effective as of January 1, 2022. In addition, Ayco reserves the right to adjust fees in the event of extraordinary circumstances. Company will be notified prior to any such adjustment of fees.

Reasonable travel costs, including transportation, living expenses and specific disbursements incurred by Ayco in connection with the services and benefits and compensation data gathering will be in accordance with Ayco's Travel Expense summary as set forth on Attachment A and are the responsibility of Company and will be submitted for reimbursement on a semi-annual basis.

5. Income Tax Preparation. The Counseling Fee includes preparation of federal and state personal income tax returns to be filed in the year of service for the executive, or if married, joint returns for the executive and his/her spouse. Upon request, additional federal and state tax returns, including dependent, married filing separate, domestic partner and specialty returns (gift, trust, foundation, corporation and partnership returns) may be prepared, at Ayco's discretion, for an additional fee which will be billed to the executive directly. Certain tax filings and forms, including certain filings related to foreign assets, may fall beyond the scope of Ayco's services.

If a tax examination or inquiry occurs, Ayco may, upon the executive's request, agree to represent the executive in connection with such examination or inquiry for an additional fee to be billed to the executive directly. Ayco may require as a condition to its representation that the executive enter into a separate agreement.

6. Separation from Service. Upon separation from service of an executive for any reason (each a "Termination"), the Company will notify Ayco of the Termination. The Company's obligation to pay the Counseling Fee will cease on the later of (1) 30 days following the date the Company provides Ayco with notice of the Termination or (2) the date of the Termination.

7. Reliance on Information. Ayco will rely on information provided by or on behalf of Company and its executives in performing services. Ayco will not be responsible for the accuracy or completeness of any such information, nor for any consequences related to the use of any inaccurate or incomplete information, except arising solely from Ayco's own negligence, malfeasance or violation of applicable law. Nothing herein constitutes a waiver or limitation of any rights which a party may have under any federal securities laws.

8. Confidentiality. Ayco maintains information security policies and procedures designed to preserve the confidentiality of "nonpublic personal information", as such term is defined under Section 6809(4) of the Gramm-Leach-Bliley Act and its applicable implementing regulations ("GLBA"), received from Company or its executives pursuant to this Agreement in accordance with GLBA. Ayco will not disclose such nonpublic personal information to any unaffiliated third party, other than as may be necessary for Ayco or its authorized service providers to provide services hereunder or as may be permitted by law. Ayco acknowledges that it maintains appropriate systems security in accordance with commercially reasonable industry standards and practices designed to protect all data and information provided by the Company or executives from theft, unauthorized disclosure and unauthorized access.

9. Scope of Services. Ayco provides advice and services only under the laws of the United States. Generally, Ayco's advice and services are provided to clients that are United States citizens or residents, or otherwise subject to United States tax laws. Ayco's services may be limited or not available for clients residing outside the United States. Ayco does not provide legal services or advice to its clients.

Company acknowledges Ayco is not responsible for determining the amount of income to impute to those of its executives participating in the Counseling Program, and that Ayco does not provide any advice regarding any such imputation of income. Company further acknowledges and agrees that while Ayco may provide general information on tax and benefits/compensation matters, Ayco does not provide tax, benefit consulting services, or investment advice to Company with respect to Company's benefits and compensation plans.

Except as otherwise expressly agreed in writing, Ayco does not assume any duties to take action pursuant to recommendations, advice or financial planning strategies that Ayco may provide to clients, which ultimately remain the client's obligations.

Services provided hereunder assist executives in developing comprehensive financial plans and are not designed to be specific to any particular investment account and do not modify the terms and conditions of any investment account agreement entered into by an executive, including investment account agreements entered into with Ayco or its affiliates.

Unless otherwise indicated by Ayco in writing, associates responsible for providing the financial counseling services hereunder do not have discretionary authority over client assets.

10. **Ayco's Brochure.** The U.S. Securities and Exchange Commission requires Ayco, as a registered investment adviser, to maintain a Form ADV brochure that contains information relating to Ayco's advisory services and conflicts of interest. By executing this Agreement, Company acknowledges receipt of Ayco's Form ADV brochure.

Ayco is an affiliate of Goldman, Sachs & Co. LLC and a subsidiary of The Goldman Sachs Group, Inc. Ayco is a registered investment adviser and receives fees for financial counseling services. In the course of providing such services, Ayco or its subsidiaries or affiliates may offer additional services and/or products for which additional fees or commissions are charged. These offerings create a conflict of interest and clients may be asked to acknowledge their understanding of such conflict.

11. **Indemnification.** Ayco **will** indemnify Company for all expenses and losses (including reasonable attorneys' fees) that are actually incurred by Company in connection with a third party proceeding directly arising out of any fraud, bad faith, negligence, violation of law or failure to perform in accordance with this Agreement, including for a breach of Section 8 of this Agreement.

12. **Identification.** Certain financial institutions are required to obtain, verify, and record information that identifies each person or entity that establishes a relationship with these institutions. When Company establishes a relationship with Ayco, Ayco will obtain from public sources certain information concerning Company, including name, address, identification number and other information. Ayco may ask for assistance to ascertain this information.

13. **Counterparts and Delivery.** This Agreement may be executed in any number of counterparts which together will be treated as one agreement, binding on the parties. Delivery of an executed copy of and counterpart signature pages to this Agreement, via facsimile (fax) or electronic mail (email), will for all purposes be deemed original. Any subsequent amendments or modifications to this Agreement may be executed and delivered in the same manner.

14. **Assignments.** This Agreement may not be assigned, in whole or in part, without the prior consent of both parties, which consent will not be unreasonably withheld or delayed.

15. **Fax and Email Communications.** Company and Ayco consent to receipt of communications via fax and email, including, but not limited to, in connection with the offer of any products or services. By executing this Agreement, Company acknowledges that the transmission of materials via fax or email is inherently insecure, and that information may be intercepted or accessed by unintended recipients. The consent provided in this section may be revoked at any time by the delivery of written notice from one party to the other.

16. **Amendment.** This Agreement may be modified only in writing, signed by both parties hereto.

17. **Notice of Firm Change.** Ayco, a limited partnership, will notify Company of any change in the membership of Ayco's partnership within a reasonable time after such change.

18. **Third Party Beneficiaries.** Nothing in this Agreement is intended to, nor will be construed to, confer upon or give to any person, or entity, other than the parties to this Agreement, any rights or remedies under, or by reason of this Agreement.

19. **Use of Name.** Any use of the Ayco name or logo or that of its products or services and any description of Ayco, its employees, its products or services is subject to the review and written approval of Ayco prior to use, which approval **will** not be unreasonably withheld. Ayco shall not, without the advance written consent of the Company, disclose any details regarding its relationship with the Company or any executives in any marketing or advertising materials.

20. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior agreement between the parties with respect to such subject matter.

AYCO

A GOLDMAN SACHS COMPANY

Attachment A
Ayco's Travel & Entertainment Summary

Mandatory Documentation:	Receipts required for air, rail, hotel, rental car, meals and any out-of-pocket expenses related to travel
Air Travel Class of Service	Restricted Economy Class (non-refundable) booked 14 days or more in advance at the lowest cost Reimbursable Expense: Airline baggage fees, excluding add-on fees for baggage deemed overweight Non-reimbursable Expenses: Wifi, upgraded seating and priority boarding fees
Rail Travel:	Coach class
Hotel:	Ayco travelers must book travel through preferred vendor and adhere to the firm's hotel city per diems. Reservations over the city per diems require a business reason and approval. Reimbursable Expense: Laundry for stays greater than 5 nights Non-reimbursable Expenses: Long distance telephone calls, movies, health club/spa and gift shop
Rental Cars:	Economy through Full-size
Travel Meal Daily Per Diems:	Breakfast/Lunch/Dinner - combined total of $100
Personal Car Mileage:	Standard mileage rate set by the IRS
Other reimbursable transportation expenses	Taxi, subway, bus, parking, tolls and gas for rental cars

EXHIBIT 21

Subsidiaries of PNM Resources, Inc.

As of December 31, 2019, PNM Resources, Inc. directly or indirectly owns all of the voting securities of the following subsidiaries:

Public Service Company of New Mexico, a New Mexico corporation that does business under the names “Public Service Company of New Mexico” and “PNM”.

Texas-New Mexico Power Company, a Texas corporation that does business under the name “Texas-New Mexico Power Company” and “TNMP”.

TNP Enterprises, Inc., a Texas corporation that does business under its corporate name.

The remaining subsidiaries of PNM Resources, Inc. considered in the aggregate as a single subsidiary, do not constitute a "significant subsidiary" (as defined in Rule 1-02(w) of Regulation S-X) as of the end of the year covered by this report.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement Nos. 333-76288, 333-139108, 333-129454, 333-121371, 333-125010, 333-141282, 333-156243, 333-159361, 333-159362, 333-168797, 333-195974, 333-230575, and 333-249764 on Form S-8 of our report dated March 1, 2022, with respect to the consolidated financial statements and financial statement schedules I and II of PNM Resources, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Albuquerque, New Mexico
March 1, 2022

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement No. 333-238234 on Form S-3 of our report dated March 1, 2022, with respect to the consolidated financial statements and financial statement schedule II of Public Service Company of New Mexico.

/s/ KPMG LLP

Albuquerque, New Mexico
March 1, 2022

EXHIBIT 31.1

CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Annual Report on Form 10-K of PNM Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
President and Chief Executive Officer
PNM Resources, Inc.

EXHIBIT 31.2

CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Annual Report on Form 10-K of PNM Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer

PNM Resources, Inc.

EXHIBIT 31.3

CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Service Company of New Mexico;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (each registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Patricia K. Collawn

Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

EXHIBIT 31.4

CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Annual Report on Form 10-K of Public Service Company of New Mexico;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (each registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2022

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and

Chief Financial Officer

Public Service Company of New Mexico

EXHIBIT 31.5

CERTIFICATION

I, Patricia K. Collawn, certify that:

1. I have reviewed this Annual Report on Form 10-K of Texas-New Mexico Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Patricia K. Collawn

Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

EXHIBIT 31.6

CERTIFICATION

I, Joseph D. Tarry, certify that:

1. I have reviewed this Annual Report on Form 10-K of Texas-New Mexico Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ Joseph D. Tarry

Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2021, for PNM Resources, Inc. ("Company"), as filed with the Securities and Exchange Commission on March 1, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
President and Chief Executive Officer
PNM Resources, Inc.

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
PNM Resources, Inc.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2021, for Public Service Company of New Mexico ("Company"), as filed with the Securities and Exchange Commission on March 1, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
President and Chief Executive Officer
Public Service Company of New Mexico

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Public Service Company of New Mexico

EXHIBIT 32.3

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2021, for Texas-New Mexico Power Company ("Company"), as filed with the Securities and Exchange Commission on March 1, 2022 ("Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of § 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ Patricia K. Collawn
Patricia K. Collawn
Chief Executive Officer
Texas-New Mexico Power Company

By: /s/ Joseph D. Tarry
Joseph D. Tarry
Senior Vice President and
Chief Financial Officer
Texas-New Mexico Power Company