A. The PBGC is a federal agency established by Congress as part of ERISA to protect pension benefits under private sector defined benefit pension plans. If a pension plan is terminated without sufficient funds to pay all benefits, the PBGC will pay employees the benefits promised under the plan, up to certain limits set by law. Funding for the PBGC comes from premiums charged to pension plans as well as returns on assets held by the PBGC.

Q. WHAT TYPES OF PREMIUMS DOES THE PBGC CHARGE?

A. The PBGC charges two types of premiums: (1) a per capita premium charged to all single employer defined benefit plans; and (2) a variable premium charged to underfunded plans, on a measure defined by the PBGC.

Q. HOW MUCH IS THE PBGC VARIABLE PREMIUM?

A. Through 2013, the PBGC variable premium was 0.9% of any unfunded liability. For this purpose, the liability is measured based on assumptions set by the PBGC. This liability measure is often different from the PBO used for pension cost purposes under ASC 715 and is much higher than the funding liability used for minimum required contribution purposes.

Q. WHAT IS THE IMPACT OF THE PREPAID PENSION ASSET ON THE PBGC VARIABLE PREMIUM FOR THE TNMP PENSION PLAN?

A. The plan has been underfunded on a PBGC basis, and the prepaid asset reduced the PBGC deficit dollar for dollar. This means that the prepaid pension asset effectively generated an additional 0.9% return (via cost reduction) above any investment returns.

Q. WHAT HAPPENED TO THE AMOUNT OF VARIABLE PREMIUM RATES AFTER 2013?

A. Effective in 2014, Congress passed a law increasing the variable premium rate. The new law increased the 0.9% of unfunded liability premium to 1.4% in 2014, and 2.4% for 2015. As part of the 2015 Budget Act, Congress further increased variable premium rates to 3.0% for 2016 increasing annually thereafter. For 2018, the variable rate premium is 3.8% of unfunded liabilities (subject to per participant maximums). These variable premium increases significantly add to the benefit of accelerated contributions.

Q. IS IT YOUR UNDERSTANDING THAT THE COMMISSION HAS ALLOWED UTILITIES TO RECOVER AND EARN A RETURN ON THEIR PREPAID PENSION ASSETS?

A. Yes. In its 2013 decision in a SWEPCO rate proceeding in Docket No. 40443,[2] the Commission approved rate base treatment for a similar Prepaid Pension Asset. Referencing Statement of Financial Accounting Standards No. 87, the Commission found that "the prepaid pension asset represents the amount by which the accumulated contributions exceed the accumulated FAS 87 pension fund cost." That definition applies equally to the prepaid pension asset TNMP proposes to include in rate base here. The Commission concluded that the "portion of SWEPCO's prepaid pension asset associated with pension cost charged to O&M expense is appropriately included in rate base" and approved a corresponding ADFIT rate base adjustment. I believe the Prepaid Pension Asset treatment proposed by TNMP in this request is appropriate and consistent with the precedent from SWEPCO.[3]

Q. IF RECOVERY OF THE COSTS OF THE PREPAID PENSION ASSET WERE DISALLOWED, WHAT OFFSETTING ADJUSTMENTS WOULD HAVE TO BE MADE TO TNMP'S COST OF SERVICE?

A. Any amount disallowed from rate base signifies that the Commission considers that amount to belong to shareholders. As a result, the Net Periodic Benefit Cost included in the cost of service must be increased by the expected return on the amount being disallowed. In addition, the Accumulated Deferred Income Taxes balance associated with the prepaid pension asset (rate base reduction) must also be adjusted.

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[2] *Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs*, Docket No. 40443.

[3] Docket No. 40443, Order at Finding of Fact No. 130, 134 (Oct. 10, 2013).

VI. 2018 PRELIMINARY COSTS

Q. ARE YOU PROJECTING A MATERIAL DIFFERENCE BETWEEN TEST YEAR AND 2018 COSTS?

A. Yes. Costs for the Qualified Pension Plan and the OPEB Plan are expected to decrease significantly from their 2017 levels. Cost for the Non-Qualified Pension Plan will only see a slight increase.

Q. WHAT ARE THE 2018 PRELIMINARY NET PERIODIC BENEFIT COSTS FOR THE QUALIFIED PENSION PLAN, NON-QUALIFIED PENSION PLAN, AND OPEB PLAN AND HOW DOES IT COMPARE TO THE TEST YEAR?

A. The total Net Periodic Benefit Cost for all three plans is expected to decrease by about $600,000 from the Test Year. TNMP Exhibits YG-3, YG-4, and YG-5 provide details as to how these amounts are calculated for each plan. The table below summarize the costs by plan, comparing preliminary 2018 to Test Year costs:

Plan	Net Periodic Benefit Cost for Test Year	Net Periodic Benefit Cost for 2018	Difference
Qualified Pension	$30,967	($250,104)	($281,071)
Non-Qualified Pension	41,982	44,090	2,108
OPEB	163,515	(157,528)	(321,043)
Total	**$236,464**	**($363,542)**	**($600,006)**

Please refer to the testimony of TNMP witness Henry Monroy.

Q. WHAT ARE THE MAIN REASONS FOR THE DECREASE IN COSTS?

A. The decrease in cost for the Qualified Pension is driven primarily by assets growing faster than liabilities and an increase in the expected return on asset assumption for 2018. Due to anticipated changes in the asset mix, the expected return on asset assumption increased from 6.40% in 2017 to 6.57% for 2018. For OPEB, the decrease in cost is due primarily to participant coverage elections and a change in the expected return on asset assumption for 2018, which increased from 5.40% in 2017 to 5.86% in 2018 due to the impact of tax reform.

Q. WHY ARE THOSE AMOUNTS LABELED PRELIMINARY, WILL THEY CHANGE?

A. The 2018 costs shown above are expected to be final, unless a special event occurs during the year that would require a re-measurement or trigger special accounting (such as a significant plan change, or settlement of a portion of the liability). We are not aware of any of those events being contemplated or 2018.

VII. BENEFIT COST TRACKER

Q. WHY DO PENSION (AND OPEB) COSTS VARY YEAR OVER YEAR?

A. Under a pension plan, the amount of benefit earned by the employees is set by formula. The employer will set aside funds to pay for those benefits once employees retire. Because the ultimate benefit is not known until the employee retires, annual costs will vary (sometimes significantly) based on factors such as asset returns, interest rates, and other demographic experience. Most of those factors (for example interest rates and investment markets) are outside of the control of the Company. The same principles apply to OPEB plans. The $600,000 reduction in costs between 2017 Test Year and 2018 is a prime example of this, and illustrates the value of a Benefit Cost Tracker.

Q. WHAT RISKS DOES THAT ANNUAL VOLATILITY CAUSE TO THE COMPANY AND THE RATEPAYERS?

A. A major risk of basing recovery on Test Year cost, is that actual future costs may differ significantly. If future costs are lower, the Company profits from the windfall. If costs are higher, the Company does not receive appropriate reimbursements.

Q. DOES A BENEFIT TRACKER ADDRESS THIS ISSUE?

A. Yes it does. The objective of the recovery mechanism is that the Company recovers from ratepayers the actual amount needed to provide those benefits, no more, no less. Under a benefit cost tracker mechanism, differences between costs built into rates and actual costs are charged to a reserve account. Any balance is then used as the basis for an adjustment (increase or decrease in costs) in a subsequent rate case.

Q. DOES SUCH A PROVISION EXIST UNDER TEXAS LAW?

A. Yes it does. The Public Utility Regulatory Act (PURA) § 36.065(b) provides for such a mechanism.

VIII. <u>CONCLUSION</u>

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AFFIDAVIT

STATE OF CALIFORNIA §
§
COUNTY OF ORANGE §

BEFORE ME, the undersigned authority, on this day personally appeared YANNICK GAGNÉ, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

"My name is YANNICK GAGNÉ. I am of legal age, a resident of the State of California, and have never been convicted of a felony. I certify that the foregoing testimony, offered by me on behalf of Texas-New Mexico Power Company, is true and correct and based upon my personal knowledge and experience."

Yannick Gagné
Witness

* * * * *

~~SWORN TO AND SUBSCRIBED before me, Notary Public, on this ______ day of May 2018, to certify which witness my hand and seal of office.~~

~~NOTARY PUBLIC in and for the State of ______________~~

~~Printed Name: ______________________~~

~~My Commission expires: ______________~~

~~Notary ID# ________________________~~

See CA Jurat attached 5/18/18 PY

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Orange

Subscribed and sworn to (or affirmed) before me on this 18th day of May, 2018, by Yannick Gagne,

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

PHILIP ANDREW HORN
COMM. # 2090766
NOTARY PUBLIC - CALIFORNIA
COUNTY OF ORANGE
MY COMM. EXP. NOV. 21, 2018

(Seal) Signature Phil Horn

DIRECT TESTIMONY OF
YANNICK GAGNE

TNMP Exhibit YG-1
Statement of Qualifications for
Yannick Gagne

Current Responsibilities and Experience:

I have over 20 years of experience consulting with organizations on the design and financial considerations of their pension programs. I am currently employed by Willis Towers Watson as a Senior Retirement Consultant and Actuary.

Education:

Bachelor of Science – Actuarial Science
Laval University, Canada

Employment:

Willis Towers Watson (formerly Towers Watson & Company)
Senior Director
Head of Retirement Business, Southwest

Aon Hewitt
Principal
San Francisco, Pacific Northwest and Hawaii Retirement Practice Leader

Professional Organization:

Fellow of the Society of Actuaries
Enrolled Actuary under the Employee Retirement Income Security Act of 1974 ("ERISA")

Retirement Consulting and Utility Experience:

During my more than 20 years of retirement consulting experience, I have helped senior human resources and finance executives determine how to manage and configure retirement programs that best support organizational objectives.

In addition to working with many large corporate organizations, I have worked with more than ten regulated utilities providing actuarial and retirement consulting services. In that role, I provided testimony support in rate case proceedings, as well as retirement program design and union negotiation support.

Specifically regarding rate case support, I provided support for various rate case filings in California, Hawaii, New Mexico, Oregon, and Washington.

Components of Net Periodic Benefit Costs ("NPBC")

Accounting Standards Codification 715 ("ASC 715") replaced Financial Accounting Standards 87 and 106 (FAS 87 and FAS 106); concepts of recognition were not changed, but references are different. ASC 715 provides guidance on the disclosure and other accounting and reporting requirements related to single employer defined benefit pension and other postretirement benefit plans. This summary pertains to recognition of net periodic cost and excludes any discussion of accounting for settlements, curtailments and certain termination benefits.

ASC 715-30-35-4 and ASC 715-60-35 specify six basic components of NPBC respectively:

1) Service Cost;
2) Interest Cost;
3) Expected Return on Assets;
4) Amortization of Transition Obligation;
5) Amortization of Prior Service Cost; and
6) Amortization of (Gain)/Loss

These components are described below.

1) Service Cost

The service cost component of NPBC is the "actuarial present value" of the benefits attributed by the benefit formula for the year and expected to be earned during the year reflecting projected pay to expected retirement age. An attribution method is adopted to reflect a reasonable pattern of benefit accrual for recognition purposes. For the test year, the actuary used certain assumptions to estimate the Company-provided share of the benefits to be earned by an employee during the year and determined the present value of these benefits (i.e., the service cost).

2) Interest Cost

Interest cost is the increase in the present value of the projected benefit obligation ("PBO") for pension plans or the accumulated postretirement benefit obligation ("APBO") for other postretirement benefit plans due to the passage of one year's time. The PBO is an estimate of present value of pension benefits accrued through the valuation date using projected salary levels and based on assumptions, including the discount rate, outlined in the actuarial valuation. The APBO is the present value of other postretirement benefits (e.g., postretirement medical and life benefits) based on the substantive plan and attribution method based on assumptions including a discount rate, outlined in the actuarial valuation. The present values of the PBO and APBO are discounted amounts based on an assumed discount rate.

3) Expected Return on Assets

The expected return on plan assets is also used in the computation of Net Periodic Benefit Cost for the year. The Company's overall costs are reduced by earnings on assets that have been accumulated with contributions to the benefit funds. An expected return assumption is selected by the Company based on the asset allocation of the trust and long-term return expectations of the various asset classes held by the trust. The actual return on plan assets includes the plan's dividend and interest income for the year, plus realized and unrealized appreciation less any depreciation in the market value of its investments and the expenses related to benefits paid, administration and investing the fund. The difference between the expected return on assets and the actual return on assets is recognized through gains and losses.

4) Amortization of Transition Obligation

The amortization of transition obligation is the difference between the fair market value of plan assets and the actuarial present value of benefits earned at the time of transition to the provisions of SFAS 87 and SFAS 106. TNMP's transition obligation has been fully amortized.

5) Amortization of Prior Service Cost

The amortization of prior service cost is the amortization of a change in the projected benefit obligation due to a plan amendment. Under ASC 715 increases or decreases in the PBO or APBO due to a plan change are amortized as a component of future costs over the average remaining service lives of active employees expected to receive benefits at the time of the amendment.

EXHIBIT YG-2
Page 3 of 3

<u>6) Amortization of Gains and Losses</u>

The amortization of gains and losses are changes in the amount of either the obligation or the plan assets different from expectations. These changes result from experience that is different from what is expected (such as asset returns being more or less than the expected return assumption, salary increases being more or less than anticipated, employees retiring at different ages than expected, retirees living shorter or longer than expected, etc.) and from changes in assumptions (different discount rates from year to year or changes in demographic assumptions based on plan experience).

If accumulated gains and losses are greater than a "corridor" amount, a portion outside the corridor is recognized in the current year (determined as the excess over the corridor amortized over the average remaining life expectancy for pension benefits, and average remaining service lives of active employees expected to receive benefits under the plan for OPEB). The corridor is 10% of the greater of the PBO (or APBO) and the market-related value of assets.

WillisTowersWatson

Texas-New Mexico Power Company Pension Plan

Actuarial Valuation Report Disclosure for Fiscal Year Ending December 31, 2016 and 2017 Benefit Cost under US GAAP

January 31, 2017

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Purposes of valuation

PNM Resources, Inc. engaged Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson") to value the Company's pension plan.

As requested by PNM Resources, Inc. (the Company), this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 715-20-50 (ASC 715) for your fiscal year ending December 31, 2016 for the Texas-New Mexico Power Company Pension Plan (the Plan).

The exhibits present year-end financial reporting information in accordance with ASC 715-20-50, including net balance sheet position of the Plan, cash flow, plan asset information, amortization amounts during the fiscal year, participant information, the provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations. Additional input is required (as described below) by the Company in relation to the asset disclosures specified in ASC 715-20-50-1(d).

In addition, this report presents the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with ASC 715, for the fiscal year beginning January 1, 2017. Both year-end financial reporting and benefit cost results are based on a valuation of the Plan as of December 31, 2016.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. As discussed above, certain year-end financial reporting information in accordance with ASC 715-20-50 is not included in this report and must be provided by the Company, as follows:
   - Categorization of assets, actual asset allocation at December 31, 2016 and December 31, 2015, and the target asset allocation for 2017.
   - A description of the Company's investment policy for the assets held by the pension plan.
   - A description of the basis used to determine the expected long-term rate of return on plan assets.
2. The expected contributions to the qualified pension plan was set at $0.

   Note that any significant change in the amounts contributed or expected to be contributed in 2017 will require disclosure in the interim financial statements, but should not affect the expected return on plan assets absent a remeasurement for another purpose.

3. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.

4. This report is not intended to constitute a certification of the Adjusted Funding Target Attainment Percentage (AFTAP) under IRC §436 for any plan year.

5. This report does not determine funding requirements under IRC §430.

6. This report does not provide information for plan reporting under ASC 960.

7. This report does not determine liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations. In addition, funded status measures shown in this report do not reflect the current costs of settling obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

8. The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1: Summary of key results

Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2017	01/01/2016
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	30,967	60,704
	Immediate Recognition of Benefit Cost/(Income) due to Special Events	TBD	0
	Total Benefit Cost/(Income)	30,967	60,704
Measurement Date		**12/31/2016**	**12/31/2015**
Plan Assets	Fair Value of Assets (FVA)	60,623,820	62,081,073
	Market Related Value of Assets (MRVA)	61,806,501	63,559,613
	Return on Fair Value Assets during Prior Year	5.530%	(1.665%)
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(67,060,710)	(64,197,273)
	Projected Benefit Obligation (PBO)	(67,060,710)	(64,197,273)
Funded Ratios	Fair Value of Assets to ABO	90.4%	96.7%
	Fair Value of Assets to PBO	90.4%	96.7%
Accumulated Other Comprehensive (Income)/Loss	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	27,521,352	23,261,366
	Total Accumulated Other Comprehensive (Income)/Loss	27,521,352	23,261,366
Assumptions	Discount Rate	4.49%	5.39%
	Expected Long-term Rate of Return on Plan Assets	6.40%	6.50%
Participant Data	Census Date	01/01/2016	01/01/2015

Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were $(4,318,430) and $(641,210) respectively.

Change in net periodic cost and funded position

The net periodic cost decreased from $60,704 in fiscal 2016 to $30,967 in fiscal 2017 and the funded position declined from $(2,116,200) to $(6,436,890).

Significant reasons for these changes include the following:

- The return on the fair value of plan assets since the prior measurement date was greater than the interest on the liability, which improved the funded position and caused the net periodic cost to decrease.
- The discount rate declined 90 basis points compared to the prior year which caused the funded position to deteriorate and the net periodic cost to increase.
- The expected return on assets assumption decreased from 6.50% to 6.40%, which increased the net periodic cost.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. The most recent plan change reflected in this valuation was effective on January 1, 2011. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Changes in assumptions

The discount rate was updated which increased the PBO by $5,055,000. The mortality assumption was updated which decreased the PBO by $296,000. The lump sum interest rate was updated which increased the PBO by $398,000 and the cash balance interest crediting assumption was updated which decreased the PBO by $283,000.

Changes in methods

There have been no changes in methods since the prior valuation.

Changes in estimation techniques

There have been no changes in estimation techniques since the prior valuation.

Changes in benefits valued

There have been no changes in benefits valued since the prior valuation.

Subsequent events

No material events occurred after the measurement date.

Additional information

None.

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Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Except as otherwise provided herein, the results presented are based on the data, assumptions, methods, plan provisions and other information outlined in the actuarial valuation report(s) to determine funding requirements for the plan year beginning January 1, 2016 dated September 29, 2016. Therefore, such information, and the reliances and limitations of the valuation report and its use, should be considered part of this report for purposes of year-end financial reporting.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is December 31, 2016. The benefit obligations were measured as of the Company's December 31, 2016 fiscal year end and are based on participant data as of the census date, January 1, 2016. We have projected forward benefit obligations to the end of the year, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

This is the same data that was used for the calculation of the Net Periodic Benefit Cost/(Income) for the fiscal year ending December 31, 2017.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by the Company. The Company also provided information about the general ledger account balances for the pension plan cost at December 31, 2016, which reflect the expected funded status of the plans before adjustment to reflect the funded status based on the year-end measurements. Willis Towers Watson used information supplied by the Company regarding amounts recognized in accumulated other comprehensive income as of December 31, 2016. This data was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the pension cost and other financial reporting have been selected by the Company. Willis Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the December 31, 2016 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated August 23, 2016 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its auditors in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson").

Yannick Gagne, FSA
Senior Retirement Consultant
14-06278
January 31, 2017

Brian M. Arnell, FSA
Consulting Actuary
14-07764
January 31, 2017

http://natct.internal.towerswatson.com/clients/606112/PNM2016/Documents/TNMP Q 12-31-2016 Disclosure and 2017 Expense.docx

Section 2: Accounting exhibits

2.1 Disclosed benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Disclosed Benefit Cost**		
1	Employer service cost	0	0
2	Interest cost	3,303,916	3,042,547
3	Expected return on assets	(3,942,866)	(4,419,810)
4	Subtotal	(638,950)	(1,377,263)
5	Net prior service cost/(credit) amortization	0	0
6	Net loss/(gain) amortization	699,654	781,874
7	Subtotal	699,654	781,874
8	Net periodic benefit cost/(income)	60,704	(595,389)
9	Curtailments	0	0
10	Settlements	0	0
11	Special/contractual termination benefits	0	0
12	Disclosed benefit cost	60,704	(595,389)
B	**Assumptions Used to Determine Benefit Cost**[1]		
1	Discount rate	5.39%	4 39%
2	Long-term rate of return on assets	6.50%	6.80%

[1] These assumptions were used to calculate Net Periodic Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. See Appendix A for interim measurements, if any

2.2 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Development of Balance Sheet Asset/(Liability)**		
	1 Projected benefit obligation (PBO)	(67,060,710)	(64,197,273)
	2 Fair value of assets (FVA) [1]	60,623,820	62,081,073
	3 Net balance sheet asset/(liability)	(6,436,890)	(2,116,200)
B	**Current and Noncurrent Allocation**		
	1 Noncurrent asset	0	0
	2 Current liability	0	0
	3 Noncurrent liability	(6,436,890)	(2,116,200)
	4 Net balance sheet asset/(liability)	(6,436,890)	(2,116,200)
C	**Reconciliation of Net Balance Sheet Asset/(Liability)**		
	1 Net balance sheet asset/(liability) at end of prior fiscal year	(2,116,200)	(3,128,688)
	2 Employer service cost	0	0
	3 Interest cost	(3,303,916)	(3,042,547)
	4 Expected return on assets	3,942,866	4,419,810
	5 Plan amendments	0	0
	6 Actuarial gain/(loss)	(4,959,640)	(364,775)
	7 Employer contributions	0	0
	8 Benefits paid directly by the Company	0	0
	9 Transfer payments	0	0
	10 Acquisitions/divestitures	0	0
	11 Curtailments	0	0
	12 Settlements (if settled using corporate cash)	0	0
	13 Special/contractual termination benefits	0	0
	14 Net balance sheet asset /(liability) at end of current fiscal year	(6,436,890)	(2,116,200)
D	**Assumptions and Dates Used for Disclosure**		
	1 Discount rate	4.49%	5.39%
	2 Census date	01/01/2016	01/01/2015

[1] Excludes receivable contributions.

2.3 Accumulated other comprehensive (income)/loss

All monetary amounts shown in US Dollars

Fiscal Year Ending			12/31/2016	12/31/2015
A	**Accumulated Other Comprehensive (Income)/Loss**			
	1	Net prior service cost/(credit)	0	0
	2	Net loss/(gain)	27,521,352	23,261,366
	3	Accumulated other comprehensive (income)/loss[1]	27,521,352	23,261,366
B	**Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)**			
	1	AOCI at prior fiscal year end	23,261,366	23,678,465
	2	Amounts amortized during the year		
		a Net prior service (cost)/credit	0	0
		b Net (loss)/gain	(699,654)	(781,874)
	3	Occurring during the year		
		a Net prior service cost/(credit)	0	0
		b Net loss/(gain)	4,959,640	364,775
	4	AOCI at current fiscal year end	27,521,352	23,261,366

1 Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.4 Additional disclosure information

All monetary amounts shown in US Dollars

A	**Accumulated Benefit Obligation (ABO)**	
1	ABO at current fiscal year end	(67,060,710)
2	ABO at prior fiscal year end	(64,197,273)
B	**Expected Future Benefit Payments**	
1	During fiscal year ending 12/31/2017	5,526,325
2	During fiscal year ending 12/31/2018	5,728,359
3	During fiscal year ending 12/31/2019	5,086,321
4	During fiscal year ending 12/31/2020	5,041,752
5	During fiscal year ending 12/31/2021	5,294,224
6	During fiscal years ending 12/31/2022 through 12/31/2026	22,508,670
C	**Expected Contributions during Fiscal Year ending December 31, 2017**	
1	Employer	0
2	Plan participants	0
D	**Expected Amortization Amounts during Fiscal Year ending December 31, 2017[1]**	
1	Amortization of net prior service cost/(credit)	0
2	Amortization of net loss/(gain)	922,781
3	Total	922,781

[1] These amounts have been determined assuming there are no special events, plan amendments, assumption changes, or actuarial losses/(gains) during the upcoming fiscal year.

2.5 Changes in disclosed liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Change in Projected Benefit Obligation (PBO)**		
	1 PBO at prior fiscal year end	64,197,273	72,305,027
	2 Employer service cost	0	0
	3 Interest cost	3,303,916	3,042,547
	4 Actuarial loss/(gain)	4,318,430	(5,156,826)
	5 Plan participants' contributions	0	0
	6 Benefits paid from plan assets	(4,758,909)	(5,993,475)
	7 Benefits paid from the Company	0	0
	8 Transfers from (to) other plans	0	0
	9 Administrative expenses paid	0	0
	10 Plan change	0	0
	11 Acquisitions/(divestitures)	0	0
	12 Curtailments	0	0
	13 Settlements	0	0
	14 Special/contractual termination benefits	0	0
	15 PBO at current fiscal year end	67,060,710	64,197,273
B	**Change in Plan Assets**		
	1 Fair value of assets at prior fiscal year end	62,081,073	69,176,339
	2 Actual return on assets	3,301,656	(1,101,791)
	3 Employer contributions	0	0
	4 Plan participants' contributions	0	0
	5 Benefits paid	(4,758,909)	(5,993,475)
	6 Transfer payments	0	0
	7 Administrative expenses paid	0	0
	8 Acquisitions/(divestitures)	0	0
	9 Settlements	0	0
	10 Fair value of assets at current fiscal year end	60,623,820	62,081,073

2.6 Reconciliation of net balances

All monetary amounts shown in US Dollars

A Reconciliation of Net Prior Service Cost/(Credit)

Measurement Date Established	Original Amount	Net Amount at 12/31/2015	Amortization Amount in 2016	Effect of Curtailments	Other Events	Net Amount at 12/31/2016	Remaining Amortization Period	Amortization Amount in 2017
Total		0	0	0	0	0		0

All monetary amounts shown in US Dollars

B Reconciliation of Net Loss/(Gain)[1]

	Net Amount at 12/31/2015	Amortization Amount in 2016	Experience Loss/(Gain)	Effect of Curtailments	Effect of Settlements	Net Amount at 12/31/2016	Amortization Amount in 2017
	23,261,366	(699,654)	4,959,640	0	0	27,521,352	(922,781)

[1] See Appendix A for description of amortization method The amortization period for 2017 is 21.27548 years

2.7 Reconciliation with prior year's disclosure

All monetary amounts shown in US Dollars

		Projected Benefit Obligation (i)	Fair Value of Assets (ii)	Net Balance Sheet Asset / (Liability) (i+ii) (iii)	Net Prior Service Cost / (Credit) (iv)	Net Loss / (Gain) (v)	Accumulated Other Comprehensive (Income)/Loss (iv+v) (vi)
1	At December 31, 2015	(64,197,273)	62,081,073	(2,116,200)	0	23,261,366	23,261,366
2	Employer service cost	0		0			
3	Interest cost	(3,303,916)		(3,303,916)			
4	Expected asset return		3,942,866	3,942,866			
5	Amortizations				0	(699,654)	(699,654)
6	Experience loss/gain	(4,318,430)	(641,210)	(4,959,640)		4,959,640	4,959,640
7	Employer contributions		0	0			
8	Plan participants' contributions	0	0	0			
9	Benefits paid	4,758,909	(4,758,909)	0			
10	Administrative expenses paid	0	0	0			
11	Plan changes	0		0	0		0
12	Acquisitions/divestitures	0	0	0			
13	Curtailments	0		0	0	0	0
14	Settlements	0	0	0		0	0
15	Special/contractual termination benefits	0		0			
16	Transfer payments	0	0	0			
17	At December 31, 2016	(67,060,710)	60,623,820	(6,436,890)	0	27,521,352	27,521,352

2.8 Development of assets for benefit cost

All monetary amounts shown in US Dollars

		Fair Value	Market-Related Value
A	**Reconciliation of Assets**		
	1 Plan assets at 12/31/2015	62,081,073	63,559,613
	2 Investment return	3,301,656	3,005,797
	3 Employer contributions	0	0
	4 Plan participants' contributions	0	0
	5 Benefits paid	(4,758,909)	(4,758,909)
	6 Administrative expenses paid	0	0
	7 Acquisitions/(divestitures)	0	0
	8 Settlements	0	0
	9 Plan assets at 12/31/2016	60,623,820	61,806,501
B	**Rate of Return on Invested Assets**		
	1 Weighted invested assets	59,701,618	
	2 Rate of return	5.530%	
C	**Investment Loss/(Gain)**		
	1 Actual return	3,301,656	
	2 Expected return	3,942,866	
	3 Loss/(Gain)	641,210	
D	**Market-Related Value of Assets**		
	1 Fair value of assets at 12/31/2015	62,081,073	
	2 Contributions	0	
	3 Benefit payments	(4,758,909)	
	4 Fair value of assets at 12/31/2016	60,623,820	
	5 Actual return	3,301,656	
	6 Expected return at 6.50% minus 4.00%	1,492,540	
	7 Expected return at 6.50% plus 4.00%	6,268,670	
	8 Deferred gain/(loss)[1]	0	

Measurement Year Ending (i)	(Gain)/Loss (ii)	Percent Recognized (iii)	Percent Deferred (iv)	Deferred Amount (v) = (ii) × (iv)
2013	0	80 00%	20.00%	0
2014	1,475,526	60.00%	40.00%	590,210
2015	(2,954,819)	40.00%	60.00%	(1,772,891)
2016	0	20.00%	80.00%	0
9 Total				(1,182,681)
10 Market-related value of assets as of 12/31/2016 (Item 4 – Item 9)				61,806,501

[1] Deferred amount is the excess/(shortfall) of actual return above or below a 4.00% corridor around expected return.

2.9 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending			12/31/2017	12/31/2016
A		**Total Benefit Cost**		
	1	Employer service cost	0	0
	2	Interest cost	2,886,960	3,303,916
	3	Expected return on assets	(3,778,774)	(3,942,866)
	4	Subtotal	(891,814)	(638,950)
	5	Net prior service cost/(credit) amortization	0	0
	6	Net loss/(gain) amortization	922,781	699,654
	7	Subtotal	922,781	699,654
	8	Net periodic benefit cost/(income)	30,967	60,704
	9	Curtailments	0	0
	10	Settlements	0	0
	11	Special/contractual termination benefits	0	0
	12	Total benefit cost	30,967	60,704
B		**Assumptions**[1]		
	1	Discount rate	4.49%	5.39%
	2	Rate of return on assets	6.40%	6.50%
	3	Census date	01/01/2016	01/01/2015
C		**Assets at Beginning of Year**		
	1	Fair market value	60,623,820	62,081,073
	2	Market-related value	61,806,501	63,559,613
D		**Cash Flow**	**Expected**	**Actual**
	1	Employer contributions	0	0
	2	Plan participants' contributions[2]	0	0
	3	Benefits paid from the Company	0	0
	4	Benefits paid from plan assets[2]	5,526,325	4,758,909

[1] These assumptions were used to calculate Net Periodic Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

[2] Over the fiscal year.

2.10 Year over year comparison

All amounts shown in US Dollars

Fiscal Year Beginning	01/01/2017	01/01/2016	Variance	Primary Cause
Service Cost	0	0	0	
Interest Cost	2,886,960	3,303,916	(416,956)	Liability losses due to change in discount rate and lump sum interest rate, offset by gains due to plan experience, change in mortality, cash balance interest crediting rate, and decrease in discount rate.
Expected Return	(3,778,774)	(3,942,866)	164,092	Decrease in expected return on assets and loss in market related value of assets.
PSC Amortization	0	0	0	
(Gain)/Loss Amortization	922,781	699,654	223,127	Liability loss due to change in discount rate.
Expense/(Income)	30,967	60,704	(29,737)	

Section 3: Data exhibits

3.1 Plan participant data

All monetary amounts shown in US Dollars

Census Date		01/01/2016	01/01/2015
A	**Participating Employees**		
	1 Number	262	291
	2 Average age	52.45	52.02
	3 Average credited service	25.87	25.24
	4 Total account balance	11,877,167	13,638,650
	5 Average account balance	45,333	46,868
B	**Participants with Deferred Benefits**		
	1 Number	293	293
	2 Total annual pension	1,423,435	1,414,098
	3 Average annual pension	4,858	4,826
	4 Average age	55.55	54.99
	5 Distribution at January 1, 2016		

Age	Number	Annual Pension
Under 40	17	31,375
40-44	11	46,345
45-49	23	85,590
50-54	65	288,402
55-59	96	557,147
60-64	65	339,050
65 and over	16	75,526

		01/01/2016	01/01/2015
C	**Participants Receiving Benefits**		
	1 Number	376[1]	374
	2 Total annual pension	4,288,383	4,390,006
	3 Average annual pension	11,405	11,738
	4 Average age	74.73	74.38
	5 Distribution at January 1, 2016		

Age	Number	Annual Pension
Under 55	2	2,390
55-59	10	75,404
60-64	32	320,928
65-69	88	901,188
70-74	71	541,485
75-79	58	699,457
80-84	54	1,029,404
85 and over	61	718,127

[1] Of the 376 participants, 5 participants are alternate payees due to a QDRO.

3.2 Age and service distribution of participating employees

All monetary amounts shown in US Dollars

Attained Age	Attained Years of Credited Service and Number and Average Compensation													
	0	1	2	3	4	5-9	10-14	15 19	20 24	25 29	30-34	35-39	40 & Over	Total
Under 25	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	8	0	0	0	0	0	0	8
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	11	10	0	0	0	0	0	21
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	8	10	1	0	0	0	0	19
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45-49	0	0	0	0	0	0	3	6	5	8	0	0	0	22
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
50-54	0	0	0	0	0	0	6	10	6	20	38	4	0	84
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55-59	0	0	0	0	0	0	6	2	4	11	26	19	0	68
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60-64	0	0	0	0	0	0	2	3	5	1	6	10	8	35
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	1	0	0	0	0	1	3	5
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
70 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	45	41	21	40	70	34	11	262 [1]
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Average:	Age	52		Number of Participants			Fully vested		262	Males		226		
	Service	26					Partially vested		0	Females		36		
Census data as of January 1, 2016														

[1] Ages and service totals for purposes of determining category are based on exact (not rounded) values

Appendix A- Statement of actuarial assumptions and methods

Plan Sponsor

PNM Resources, Inc.

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year ending December 31, 2016 financial reporting and the fiscal year 2017 benefit cost.

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost	
Economic Assumptions	
Discount rate	4.49%
Pre-tax rate of return on assets for 2017	6.40%
Annual rates of increase	
■ Prices	Not applicable
■ Compensation	Not applicable
■ Social Security wage base	Not applicable
■ Statutory limits on compensation and benefits	Not applicable
■ Cash balance interest credit rate	1.91%
Lump sum interest rate	4.22%

The return on assets shown above is net of investment expenses and administrative expenses assumed to be paid from the trust.

Demographic and Other Assumptions	
Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.

Benefit commencement dates

■ Preretirement death benefit	Upon death.
■ Deferred vested benefit	Upon termination for lump sum commencement and age 65 for annuity commencement.
■ Disability benefit	Upon disablement.
■ Retirement benefit	Upon termination of employment.
Form of payment	70% of active participants are assumed to elect a lump sum form of payment under the plan upon termination and 30% are assumed to elect an annuity (10-year certain and life annuity if single and 50% J&S if married). Current terminated vested participants are assumed to elect a 10-year certain and life annuity if single and a 50% J&S if married. For the final average pay benefit, lump sums were valued by multiplying the normal retirement benefit by a deferred annuity factor. For the cash balance benefit, annuities were valued by increasing the account balance at termination to normal retirement and then converting to an immediate annuity.
Percent married	85% of males; 85% of females. Used to value pre-retirement surviving spouse benefits and in determining the optional forms expected to be elected at commencement.
Spouse age	Wife three years younger than husband.

Demographic Assumptions

Mortality

■ Healthy mortality rates	RP-2014 with improvements beyond 2006 backed out, projected generationally using the RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95.

- Disabled life mortality rates

The disability mortality table is the unisex version of the 1965 Railroad Mortality table.

Representative rates are shown below:

Attained Age	Percent
25	0.01%
30	6.55%
35	4.41%
40	4.41%
45	4.44%
50	4.53%
55	4.78%
60	5.33%
65	6.11%
70	7.47%
75	9.55%
80	12.98%
85	17.18%
90	24.02%

The disabled life mortality table above does not reflect improvements beyond the valuation date.

- Healthy non-active service mortality rates

RP-2014 with improvements beyond 2006 backed out, projected generationally using the RPEC 2916 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95.

- Lump sum conversion

RP-2014 with improvements beyond 2006 backed out, projected generationally using the RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95.

Disability rates

The rates at which participants are assumed to become disabled by age and gender are shown below:

Attained Age	Males	Females
25	0.10%	0.09%
30	0.11%	0.10%
35	0.12%	0.14%
40	0.15%	0.20%
45	0.22%	0.31%
50	0.33%	0.52%
55	0.58%	0.99%
60	1.18%	1.74%
65 and over	0.00%	0.00%

Termination (not due to disability or retirement) rates

The rates at which participants are assumed to leave the Company by age are shown below:

Attained Age	Percent
20	17.80%
25	14.55%
30	11.00%
35	8.90%
40	7.90%
45	6.45%
50	5.00%
55 and over	0.00%

Retirement rates

The rates at which participants are assumed to retire by age are shown below:

Attained Age	Percent
55-58	7.00%
59-60	5.00%
61	10.00%
62	30.00%
63-64	15.00%
65	100.00%

Additional Assumptions

Administrative expenses

The assumed interest rate is the assumed net rate of return after payment of any expenses or fees charged to the plan.

Cash flow

- Timing of benefit payments

  Annuity payments are payable monthly at the beginning of the month and lump sum payments are payable on date of decrement.

- Amount and timing of contributions

  Contributions are assumed to be made on the last day required to meet quarterly and minimum funding requirements.

Funding policy

PNM Resources, Inc.'s funding policy is to contribute an amount equal to the minimum required contribution. PNM Resources, Inc. considers each year whether to contribute additional amounts (e.g., to reach certain funded status thresholds to avoid benefit restrictions, at-risk status, ERISA 4010 filings or other requirements).

Methods – Pension Cost and Funded Position

Census date

January 1, 2016.

Measurement date

December 31, 2016.

The benefit obligations are based on census data collected as of January 1, 2016. We have projected forward the benefit obligations to

December 31, 2016, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions, and plan provisions, and any significant changes in the plan population. We are not aware of any significant changes in the plan demographics since the census date. Therefore, there were no gains or losses assumed during the year.

Service cost and projected benefit obligation

The Projected Unit Credit Cost Method is used to determine the present value of the Projected Benefit Obligation and related current service cost. Under this method, the accrued benefit is calculated based upon service as of the measurement date. In normal circumstances the "accrued benefit" is based upon the Plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period.

The benefits described above are used to determine both ABO and PBO.

Market-related value of assets

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 lie within a corridor of plus or minus 4% around the expected return on market value. Gains and losses which lie outside the corridor are amortized over 5 years.

Amortization of unamortized amounts

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until such time as it is fully amortized. The annual amortization payment is determined in the first year as the increase in Projected Benefit Obligation due to the plan change divided by the average remaining service period of participating employees expected to receive benefits under the plan.

However, when the plan change reduces the Projected Benefit Obligation, existing positive prior service costs are reduced or eliminated starting with the most recently established before a new prior service credit base is established.

- Recognition of gains or losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the projected benefit obligation and the market-related value of plan assets, the amortization is that excess divided by the average expected remaining lifetime of participants assumed to receive an annuity (21.95814 for 2016 and 21.27548 for 2017).

The plan sponsor considers participants whose benefits are frozen to be inactive participants and therefore considers the plan to be "all or almost all" inactive participants.

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining lifetime of participants assumed to receive an annuity over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued

All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with PNM Resources, Inc. and, based on that review, is not aware of any other significant benefits required to be valued that were not.

Data Sources

PNM Resources, Inc. furnished participant data as of January 1, 2016. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate

As required by U.S. GAAP the discount rate was chosen by the plan sponsor based on market information on the measurement date using Willis Towers Watson proprietary tool, BOND:Link.

Expected return on plan assets

We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions.

Cash balance interest crediting rate

The plan credits interest to cash balance accounts using the 12-month Treasury Bills rate on the first trading day of the prior quarter. PNM Resources, Inc. has selected an expected future 12-month Treasury Bills rate of 1.91%. After examining historical variability in this rate, we believe that the selected assumption does not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used.

Lump sum conversion rate

Lump sum benefits are valued using a long term assumption for the plan's lump sum conversion rate. This rate was developed by matching the benefit payments underlying expected lump sums to a yield curve developed based on corporate bonds. We believe this assumption is consistent with what would be reasonable and with other economic assumptions used.

Assumptions Rationale - Significant Demographic Assumptions

Healthy Mortality

Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represents a best estimate of future experience.

Lump Sum Mortality

Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represents a best estimate of future experience.

Disabled Mortality	Assumptions used for accounting purposes were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience.
Termination	Assumed termination rates are a function of age and decrease as the participant ages.
Disability	Disability rates were based on a published table for pension participants believed to have reasonably similar characteristics participating in pension plans with similar disability provisions.
Retirement	Retirement rates are based on plan sponsor expectations for the future, reflecting plan changes and current economic conditions, with periodic monitoring of observed gains and losses caused by retirement patterns different than assumed.
Benefit commencement date for deferred benefits	
■ Preretirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.
■ Deferred vested benefit	Deferred vested participants are assumed to begin benefits at age 65 (or current age if later) because the plan's experience is not considered to be credible, but deferred vested early commencement factors are not subsidized so that the difference between this approach and using assumed commencement rates at earlier ages is not expected to be significant.
Form of payment	The percentage of retiring participants assumed to take lump sums is based on observed experience over the period 2008-2016. The percentage of retiring participants assumed to take joint and survivor annuities is based on the marriage assumption.
Marital Assumptions	
■ Percent married	The assumed percentage married is based on general population statistics on the marital status of individuals of retirement age.
■ Spouse age	The assumed age difference for spouses is based on general population statistics of the age difference for married individuals of retirement age.

Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions and Methods

Change in assumptions since prior valuation	The discount rate was changed from 5.39% to 4.49%. The mortality assumption changed from RP-2014 with improvements beyond 2007 backed out, projected generationally using the RPEC 2014 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95 to the RP-2014 with improvements beyond 2006 backed out, projected generationally using the RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95. The interest used to calculate lump sums was changed from 4.56% to 4.22%. The expected return on assets assumption was changed from 6.50% to 6.40%. The cash balance interest crediting rate was changed from 3.75% to 1.91%.
Change in methods since prior valuation	None.

Appendix B - Summary of principal pension plan provisions

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective January 1, 2011.

Coverage and participation	All employees of the Employer who are scheduled to work at least 1,000 hours per year participate upon employment, with the last day of participation being December 31, 2005

Definitions

Vesting service	A year of vesting service credit shall be given for each 365-day period beginning with first day of employment.
Pension service	Benefit service ended December 31, 2005.
Average earnings	The average compensation is frozen as of December 31, 2005.
Normal retirement date (NRD)	First day of the month coincident with or next following the later of the attainment of age 65 or the third anniversary of plan participation.
Monthly pension benefit	The greatest of: 1. The monthly pension that is provided by the Account Balance as of the participant's commencement date. 2. The Accrued Benefit as of October 1, 1997, payable monthly for life; or 3. For Grandfathered participants, an annual benefit payable monthly for life equal to: a. 1.30% of the participant's Monthly Average Compensation multiplied by years of benefit service, plus b. 0.40% of the excess, if any, of the participant's Monthly Average Compensation over one-half of the Social Security wage base in the year of retirement multiplied by the lesser of 35 or years of benefit service. No accruals, other than interest credits on the Account Balance, may occur after December 31, 2005. A Grandfathered Participant is a participant who, as of January 1, 1998, had either (1) at least ten years of vesting service and had attained age 50 or (2) had attained age 55.
Monthly preretirement death benefit	Account Balance or the annuity the account balance can provide.

Eligibility for Benefits

Normal retirement	Retirement on NRD.

Early retirement	Retirement before NRD and on or after both attaining age 55 and completing ten years of vesting service.
Postponed retirement	Retirement after NRD.
Deferred vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability prior to NRD.
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits.

Benefits Paid Upon the Following Events

Normal retirement	The monthly pension benefit determined as of NRD.
Early retirement	For participants due benefits based upon the annuity formula, the portion of the benefit based upon Average Monthly Compensation is reduced 4.5% per year from age 62, the portion of the benefit based upon the Social Security wage based is reduced 5% per year from age 65. Lump sums payable from the plan based upon the annuity formula, however, are based upon the deferred value of the annuity payable at Normal Retirement Age.
Postponed retirement	The benefit calculated as of his delayed retirement date based on service and salary to such date. In no event will this benefit be less than the benefit payable at the Normal Retirement Date and actuarially increased to the late retirement date.
Deferred vested termination	If eligible for Early Retirement, can commence benefits as defined in Early Retirement. Otherwise, can receive Account Balance or defer benefit to Normal Retirement Age.
Disablement	Eligible for either the Deferred Vested Termination benefit or the Normal or Early Retirement benefit as applicable.
Preretirement death	Account Balance or the annuity the account balance can provide.

Other Plan Provisions

Forms of payment

All optional methods of settlement are actuarially equivalent to the normal form of annuity (10 year certain and life). Actuarial equivalence is based on 7.5% interest and GAM71 mortality table for conversion to all forms except lump sum. If a married participant does not elect the normal form of annuity or does not elect one of the optional methods of settlement described below, then the participant's retirement benefit will automatically be paid under option [2] below, with 50% continuation to the spouse. The options are:

1. A lump sum payment equivalent to the Account Balance, but not less than the actuarial value of the accrued benefit.
2. A Contingent Annuitant option that pays a reduced benefit during the participant's lifetime and continues 50%, 75% or 100% of that amount to the participant's spouse or other designated contingent annuitant for life.

3. An actuarial equivalent benefit to be paid during the participant's lifetime with 60, 180 and 240 installments guaranteed.
4. An actuarial equivalent benefit to be paid with 120, 180 and 240 installments guaranteed and thereafter no further benefits.

Pension Increases	None.
Plan participants' contributions	None.
Limits on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost.

Future Plan Changes

No future plan changes were recognized in determining pension cost.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

WillisTowersWatson

Texas-New Mexico Power Company Non-Qualified
Retirement Plan

Actuarial Valuation Report
Disclosure for Fiscal Year Ending
December 31, 2016
and 2017 Benefit Cost under US GAAP

January 31, 2017

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Purposes of valuation

PNM Resources, Inc. engaged Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson") to value the Company's pension plan.

As requested by PNM Resources, Inc. (the Company), this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 715-20-50 (ASC 715) for your fiscal year ending December 31, 2016 for the Texas-New Mexico Power Company Non-Qualified Retirement Plan (the Plan).

The exhibits present year-end financial reporting information in accordance with ASC 715-20-50, including net balance sheet position of the Plan, cash flow, plan asset information, amortization amounts during the fiscal year, participant information, the provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations.

In addition, this report presents the Net Periodic Benefit Cost/(Income) (Benefit Cost), in accordance with ASC 715, for the fiscal year beginning January 1, 2017. Both year-end financial reporting and benefit cost results are based on a valuation of the Plan as of December 31, 2016.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.

2. This report does not determine liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations. In addition, funded status measures shown in this report do not reflect the current costs of settling obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

3. The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit

obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1: Summary of key results

Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2017	01/01/2016
Benefit Cost/ (Income)	Net Periodic Benefit Cost/(Income)	41,982	42,109
	Immediate Recognition of Benefit Cost/(Income) due to Special Events	TBD	0
	Total Benefit Cost/(Income)	41,982	42,109
Measurement Date		**12/31/2016**	**12/31/2015**
Plan Assets	Fair Value of Assets (FVA)	0	0
	Return on Fair Value Assets during Prior Year	N/A	N/A
Benefit Obligations	Accumulated Benefit Obligation (ABO)	(787,094)	(793,838)
	Projected Benefit Obligation (PBO)	(787,094)	(793,838)
Funded Ratios	Fair Value of Assets to ABO	0.0%	0.0%
	Fair Value of Assets to PBO	0.0%	0.0%
Accumulated Other Comprehensive (Income)/Loss	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	139,456	94,331
	Total Accumulated Other Comprehensive (Income)/Loss	139,456	94,331
Assumptions	Discount Rate	4.49%	5.39%
	Expected Long-term Rate of Return on Plan Assets	N/A	N/A
Participant Data	Census Date	12/31/2016	12/31/2015

Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, was $(46,963).

Change in net periodic cost and funded position

The net periodic cost declined from $42,109 in fiscal 2016 to $41,982 in fiscal 2017 and the funded position improved from $(793,838) to $(787,094).

Significant reasons for these changes include the following:

- *Benefit payments exceeded interest cost which caused the funded position to improve.*
- The discount rate declined 90 basis points compared to the prior year which caused the funded position to deteriorate.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Changes in assumptions

The discount rate was updated which increased the PBO by $37,300. The mortality assumption was updated which decreased the PBO by $10,900.

Changes in methods

There have been no changes in methods since the prior valuation.

Changes in estimation techniques

There have been no changes in estimation techniques since the prior valuation.

Changes in benefits valued

There have been no changes in benefits valued since the prior valuation.

Subsequent events

No material events occurred after the measurement date.

Additional information

None.

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Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations and balance sheet adjustments

Census date/measurement date

The measurement date is December 31, 2016. The benefit obligations were measured as of the Company's December 31, 2016 fiscal year end and are based on participant data as of the census date, December 31, 2016.

This is the same data that was used for the calculation of the Net Periodic Benefit Cost/(Income) for the fiscal year ending December 31, 2017.

Balance sheet adjustments

The Company provided information about the general ledger account balances for the pension plan cost at December 31, 2016, which reflect the expected funded status of the plans before adjustment to reflect the funded status based on the year-end measurements. Willis Towers Watson used information supplied by the Company regarding amounts recognized in accumulated other comprehensive income as of December 31, 2016. This data was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the pension cost and other financial reporting have been selected by the Company. Willis Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the December 31, 2016 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated August 23, 2016 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its auditors in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson").

Yannick Gagne, FSA
Senior Retirement Consultant
14-06278
January 31, 2017

Brian M. Arnell, FSA
Consulting Actuary
14-07764
January 31, 2017

http://natct.internal.towerswatson.com/clients/606112/PNM2016/Documents/TNMP NQ 12-31-2016 Disclosure and 2017 Expense.docx

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Section 2: Accounting exhibits

2.1 Disclosed benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Disclosed Benefit Cost**		
1	Employer service cost	0	0
2	Interest cost	40,271	36,473
3	Expected return on assets	0	0
4	Subtotal	40,271	36,473
5	Net prior service cost/(credit) amortization	0	0
6	Net loss/(gain) amortization	1,838	4,273
7	Subtotal	1,838	4,273
8	Net periodic benefit cost/(income)	42,109	40,746
9	Curtailments	0	0
10	Settlements	0	0
11	Special/contractual termination benefits	0	0
12	Disclosed benefit cost	42,109	40,746
B	**Assumptions Used to Determine Benefit Cost**[1]		
1	Discount rate	5.39%	4.39%
2	Long-term rate of return on assets	N/A	N/A

[1] These assumptions were used to calculate Net Periodic Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. See Appendix A for interim measurements, if any.

2.2 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Development of Balance Sheet Asset/(Liability)**		
1	Projected benefit obligation (PBO)	(787,094)	(793,838)
2	Fair value of assets (FVA) [1]	0	0
3	Net balance sheet asset/(liability)	(787,094)	(793,838)
B	**Current and Noncurrent Allocation**		
1	Noncurrent asset	0	0
2	Current liability	(93,277)	(93,386)
3	Noncurrent liability	(693,817)	(700,452)
4	Net balance sheet asset/(liability)	(787,094)	(793,838)
C	**Reconciliation of Net Balance Sheet Asset/(Liability)**		
1	Net balance sheet asset/(liability) at end of prior fiscal year	(793,838)	(877,547)
2	Employer service cost	0	0
3	Interest cost	(40,271)	(36,473)
4	Expected return on assets	0	0
5	Plan amendments	0	0
6	Actuarial gain/(loss)	(46,963)	26,204
7	Employer contributions	0	0
8	Benefits paid directly by the Company	93,978	93,978
9	Transfer payments	0	0
10	Acquisitions/divestitures	0	0
11	Curtailments	0	0
12	Settlements (if settled using corporate cash)	0	0
13	Special/contractual termination benefits	0	0
14	Net balance sheet asset /(liability) at end of current fiscal year	(787,094)	(793,838)
D	**Assumptions and Dates Used for Disclosure**		
1	Discount rate	4.49%	5.39%
2	Census date	12/31/2016	12/31/2015

[1] Excludes receivable contributions.

2.3 Accumulated other comprehensive (income)/loss

All monetary amounts shown in US Dollars

Fiscal Year Ending			12/31/2016	12/31/2015
A	**Accumulated Other Comprehensive (Income)/Loss**			
	1	Net prior service cost/(credit)	0	0
	2	Net loss/(gain)	139,456	94,331
	3	*Accumulated other comprehensive (income)/loss*[1]	139,456	94,331
B	**Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)**			
	1	AOCI at prior fiscal year end	94,331	124,808
	2	Amounts amortized during the year		
		a Net prior service (cost)/credit	0	0
		b Net (loss)/gain	(1,838)	(4,273)
	3	Occurring during the year		
		a Net prior service cost/(credit)	0	0
		b Net loss/(gain)	46,963	(26,204)
	4	AOCI at current fiscal year end	139,456	94,331

[1] Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.4 Additional disclosure information

All monetary amounts shown in US Dollars

A	**Accumulated Benefit Obligation (ABO)**	
	1 ABO at current fiscal year end	(787,094)
	2 ABO at prior fiscal year end	(793,838)
B	**Expected Future Benefit Payments**	
	1 During fiscal year ending 12/31/2017	93,277
	2 During fiscal year ending 12/31/2018	91,524
	3 During fiscal year ending 12/31/2019	89,261
	4 During fiscal year ending 12/31/2020	86,435
	5 During fiscal year ending 12/31/2021	83,000
	6 During fiscal years ending 12/31/2022 through 12/31/2026	341,254
C	**Expected Contributions during Fiscal Year ending December 31, 2017**	
	1 Employer	93,277
	2 Plan participants	0
D	**Expected Amortization Amounts during Fiscal Year ending December 31, 2017[1]**	
	1 Amortization of net prior service cost/(credit)	0
	2 Amortization of net loss/(gain)	8,736
	3 Total	8,736

1 These amounts have been determined assuming there are no special events, plan amendments, assumption changes, or actuarial losses/(gains) during the upcoming fiscal year.

2.5 Changes in disclosed liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Change in Projected Benefit Obligation (PBO)**		
1	PBO at prior fiscal year end	793,838	877,547
2	Employer service cost	0	0
3	Interest cost	40,271	36,473
4	Actuarial loss/(gain)	46,963	(26,204)
5	Plan participants' contributions	0	0
6	Benefits paid	(93,978)	(93,978)
7	Benefits paid from the Company	0	0
8	Transfers from (to) other plans	0	0
9	Administrative expenses paid	0	0
10	Plan change	0	0
11	Acquisitions/(divestitures)	0	0
12	Curtailments	0	0
13	Settlements	0	0
14	Special/contractual termination benefits	0	0
15	PBO at current fiscal year end	787,094	793,838
B	**Change in Plan Assets**		
1	Fair value of assets at prior fiscal year end	0	0
2	Actual return on assets	0	0
3	Employer contributions	93,978	93,978
4	Plan participants' contributions	0	0
5	Benefits paid	(93,978)	(93,978)
6	Transfer payments	0	0
7	Administrative expenses paid	0	0
8	Acquisitions/(divestitures)	0	0
9	Settlements	0	0
10	Fair value of assets at current fiscal year end	0	0

2.6 Reconciliation of net balances

All monetary amounts shown in US Dollars

A Reconciliation of Net Prior Service Cost/(Credit)

Measurement Date Established	Original Amount	Net Amount at 12/31/2015	Amortization Amount in 2016	Effect of Curtailments	Other Events	Net Amount at 12/31/2016	Remaining Amortization Period	Amortization Amount in 2017
Total		0	0	0	0	0		0

All monetary amounts shown in US Dollars

B Reconciliation of Net Loss/(Gain)[1]

	Net Amount at 12/31/2015	Amortization Amount in 2016	Experience Loss/(Gain)	Effect of Curtailments	Effect of Settlements	Net Amount at 12/31/2016	Amortization Amount in 2017
	94,331	(1,838)	46,963	0	0	139,456	(8,736)

[1] See Appendix A for description of amortization method The amortization period for 2017 is 6 95338 years

2.7 Reconciliation with prior year's disclosure

All monetary amounts shown in US Dollars

		Projected Benefit Obligation (i)	Fair Value of Assets (ii)	Net Balance Sheet Asset / (Liability) (i+ii) (iii)	Net Prior Service Cost / (Credit) (iv)	Net Loss / (Gain) (v)	Accumulated Other Comprehensive (Income) Loss (iv+v) (vi)
1	At December 31, 2015	(793,838)	0	(793,838)	0	94,331	94,331
2	Employer service cost	0		0			
3	Interest cost	(40,271)		(40,271)			
4	Expected asset return		0	0			
5	Amortizations				0	(1,838)	(1,838)
6	Experience loss/gain	(46,963)	0	(46,963)		46,963	46,963
7	Employer contributions		93,978	93,978			
8	Plan participants' contributions	0	0	0			
9	Benefits paid	93,978	(93,978)	0			
10	Administrative expenses paid	0	0	0			
11	Plan changes	0		0	0		0
12	Acquisitions/divestitures	0	0	0			
13	Curtailments	0		0	0	0	0
14	Settlements	0	0	0		0	0
15	Special/contractual termination benefits	0		0			
16	Transfer payments	0	0	0			
17	At December 31, 2016	(787,094)	0	(787,094)	0	139,456	139,456

2.8 Development of assets for benefit cost

All monetary amounts shown in US Dollars

		Fair Value	Market-Related Value
A	**Reconciliation of Assets**		
1	Plan assets at 12/31/2015	0	0
2	Investment return	0	0
3	Employer contributions	93,978	93,978
4	Plan participants' contributions	0	0
5	Benefits paid	(93,978)	(93,978)
6	Administrative expenses paid	0	0
7	Acquisitions/divestitures	0	0
8	Settlements	0	0
9	Special/contractual termination benefits	0	0
10	Plan assets at 12/31/2016	0	0

2.9 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2017	12/31/2016
A	**Total Benefit Cost**		
1	Employer service cost	0	0
2	Interest cost	33,246	40,271
3	Expected return on assets	0	0
4	Subtotal	33,246	40,271
5	Net prior service cost/(credit) amortization	0	0
6	Net loss/(gain) amortization	8,736	1,838
7	Subtotal	8,736	1,838
8	Net periodic benefit cost/(income)	41,982	42,109
9	Curtailments	0	0
10	Settlements	0	0
11	Special/contractual termination benefits	0	0
12	Total benefit cost	41,982	42,109
B	**Assumptions[1]**		
1	Discount rate	4.49%	5.39%
2	Rate of return on assets	N/A	N/A
3	Census date	12/31/2016	12/31/2015
C	**Assets at Beginning of Year**		
1	Fair market value	0	0
2	Market-related value	0	0
D	**Cash Flow**	**Expected**	**Actual**
1	Employer contributions	93,277	93,978
2	Plan participants' contributions[2]	0	0
3	Benefits paid from plan assets[2]	93,277	93,978

[1] These assumptions were used to calculate Net Periodic Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

[2] Over the fiscal year.

2.10 Year over year comparison

All amounts shown in US Dollars

Fiscal Year Beginning	01/01/2017	01/01/2016	Variance	Primary Cause
Service Cost	0	0	0	
Interest Cost	33,246	40,271	(7,025)	Liability losses due to change in discount rate, offset by decrease in discount rate for calculation of interest cost.
Expected Return	0	0	0	
PSC Amortization	0	0	0	
(Gain)/Loss Amortization	8,736	1,838	6,898	Liability losses due to change in discount rate.
Expense/(Income)	41,982	42,109	(127)	

Section 3: Data exhibits

3.1 Plan participant data

All monetary amounts shown in US Dollars

Census Date		12/31/2016	12/31/2015
A	**Participating Employees**		
	1 Number	0	0
	2 Average age	0.00	0.00
	3 Average credited service	0.00	0.00
B	**Participants with Deferred Benefits**		
	1 Number	0	0
	2 Average annual pension	0	0
C	**Participants Receiving Benefits**		
	1 Number	2	2
	2 Average annual pension	46,989	46,989

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Appendix A - Statement of actuarial assumptions and methods

Plan Sponsor

PNM Resources, Inc.

Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year ending December 31, 2016 financial reporting and the fiscal year 2017 benefit cost

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost	
Economic Assumptions	
Discount rate	4.49%
Pre-tax rate of return on assets for 2017	Not applicable
Annual rates of increase	
■ Prices	Not applicable
■ Compensation	Not applicable
■ Social Security wage base	Not applicable
■ Statutory limits on compensation and benefits	Not applicable

Demographic and Other Assumptions	
Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.

Demographic Assumptions	
Mortality	
■ Healthy mortality rates	RP-2014 with improvements beyond 2006 backed out, projected generationally using the RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95.
■ Disabled life mortality rates	Not applicable.

■ Healthy non-active service mortality rates	RP-2014 with improvements beyond 2006 backed out, projected generationally using RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95.
Disability rates	Not applicable.
Termination rates	Not applicable.
Retirement rates	Not applicable.

Additional Assumptions

Administrative expenses	Not applicable.
Cash flow	
■ Timing of benefit payments	Annuity payments are payable monthly at the beginning of the month.

Methods – Pension Cost and Funded Position

Census date	December 31, 2016
Measurement date	December 31, 2016
Service cost and projected benefit obligation	The Projected Unit Credit Cost Method is used to determine the projected benefit obligation (PBO) and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the measurement date and projected future compensation and social security levels at the age at which the employee is assumed to leave active service. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "projected accrued benefit" is based upon the plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "projected accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period. The benefits described above are used to determine both ABO and PBO.
Market-related value of assets	Since this is an unfunded plan, the asset method is not applicable.

Amortization of unamortized amounts

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in Projected Benefit Obligation due to the plan change divided by the average remaining life expectancy of participants.

However, when the plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- Recognition of gains or losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the Projected Benefit Obligation and the market-related value of plan assets, the amortization is that excess divided by the average expected remaining lifetime of inactive participants expected to receive benefits under the plan (8.1343 for 2016 and 6.95338 for 2017).

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining lifetime of participants over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued

All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with the plan sponsor and, based on that review, is not aware of any other significant benefits required to be valued that were not.

Data Sources

PNM Resources, Inc. furnished participant data as of December 31, 2016. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any lump sums that were paid between the date the data was collected and the measurement date.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions	
Discount rate	As required by U.S. GAAP the discount rate was chosen by the plan sponsor based on market information on the measurement date.

Assumptions Rationale - Significant Demographic Assumptions	
Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience.

Source of Prescribed Methods	
Accounting methods	The methods used for accounting purposes as described in Appendix A, are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions and Methods	
Change in assumptions since prior valuation	The discount rate was changed from 5.39% to 4.49%. The mortality assumption was changed from RP-2014 with improvements beyond 2007 backed out, projected generationally using RPEC 2014 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95 to RP-2014 with improvements beyond 2006 backed out, projected generationally using RPEC 2016 model with 10 year convergence to a 1% long term improvement rate and declining to zero between 85 and 95
Change in methods since prior valuation	There were no changes in methods since the prior valuation.

Appendix B - Summary of principal pension plan provisions

Plan Provisions

Coverage and participation	Plan includes some former employees of Texas-New Mexico Power Company previously covered under a non-qualified plan.

Future Plan Changes

No future plan changes were recognized in determining pension cost.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

WillisTowersWatson

Post-Retirement Healthcare Plan for Texas-New Mexico Power Company Retirees

Actuarial Valuation Report Disclosure for Fiscal Year Ending December 31, 2016 and 2017 Benefit Cost under US GAAP

January 31, 2017

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Purposes of valuation

PNM Resources, Inc. engaged Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson") to value the Company's other postretirement benefit plan.

As requested by PNM Resources, Inc. (the Company), this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 715-20-50 (ASC 715) for your fiscal year ending December 31, 2016 for the PNM Resources, Inc. Post-Retirement Healthcare Plan for Texas-New Mexico Power Company Retirees (the Plan).

The exhibits present year-end financial reporting information in accordance with ASC 715-20-50 and 715-60-50, including net balance sheet position of the Plan, cash flow, plan asset information, amortization amounts during the fiscal year, participant information, the provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations. Additional input is required (as described below) by the Company in relation to the asset disclosures specified in ASC 715-20-50-1(d).

In addition, this report presents the Net Periodic Postretirement Benefit Cost/(Income) (Benefit Cost), in accordance with ASC 715, for the fiscal year beginning January 1, 2017. Both year-end financial reporting and benefit cost results are based on a valuation of the Plan as of December 31, 2016.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. As discussed above, certain year-end financial reporting information in accordance with ASC 715-20-50 and 715-60-50 is not included in this report and must be provided by the Company, as follows:

   - Categorization of assets, actual asset allocation at December 31, 2016 and December 31, 2015, and the target asset allocation for 2017.

   - A description of the Company's investment policy for the assets held by the other postretirement benefit plan.

   - A description of the basis used to determine the expected long-term rate of return on plan assets.

2. The expected contribution to the other postretirement benefits plan has been set at $685,370.

   Note that any significant change in the amounts contributed or expected to be contributed in 2017 will require disclosure in the interim financial statements, but should not affect the expected return on assets absent a remeasurement for another purpose.

3. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.

4. This report does not provide information for plan reporting under ASC 965.

5. This report does not determine liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations.

6. The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

Section 1: Summary of key results

Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2017	01/01/2016
Benefit Cost/ (Income)	Net Periodic Postretirement Benefit Cost/(Income)	163,515	333,283
	Immediate Recognition of Benefit Cost/(Income) due to Special Events	TBD	0
	Total Benefit Cost/(Income)	163,515	333,283
Measurement Date		**12/31/2016**	**12/31/2015**
Plan Assets	Fair Value of Assets (FVA)	8,543,268	9,109,844
	Market Related Value of Assets (MRVA)	8,500,645	8,839,262
	Return on Fair Value Assets during Prior Year	5.54%	(0.85%)
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	(12,830,438)	(13,105,260)
Funded Ratios	Fair Value of Assets to APBO	66.6%	69.5%
Accumulated Other Comprehensive (Income)/Loss	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	(1,954,726)	(1,913,197)
	Total Accumulated Other Comprehensive (Income)/Loss	(1,954,726)	(1,913,197)
Assumptions	Discount Rate	4.47%	5.34%
	Expected Long-term Rate of Return on Plan Assets	5.40%	5.70%
	Current Health Care Cost Trend Rate	N/A	N/A
	Ultimate Health Care Cost Trend Rate	N/A	N/A
	Year of Ultimate Trend Rate	N/A	N/A
Participant Data	Census Date	01/01/2016	01/01/2015

Comments on results

The actuarial gains/(losses) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year were $95,711 and $(13,967) respectively.

Change in net periodic cost and funded position

The net periodic cost declined from $333,283 in fiscal 2016 to $163,515 in fiscal 2017 and the funded position deteriorated from $(3,995,416) to $(4,287,170).

Significant reasons for these changes include the following:

- The discount rate declined 87 basis points compared to the prior year, which increased the net periodic cost and caused the funded position to deteriorate.
- The assumed participation rate for future retirees in the medical plan decreased from 90% to 75%, which decreased the net periodic cost and improved the funded position.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Changes in assumptions

The mortality assumption was updated which decreased the APBO by $0.1M. The participation rate in the medical plan was updated, which decreased the APBO by $1.0M. The discount rate was updated which increased the APBO by $1.1M.

Changes in methods

There have been no changes in methods since the prior valuation.

Changes in estimation techniques

There have been no changes in estimation techniques since the prior valuation.

Changes in benefits valued

There have been no changes in benefits valued since the prior valuation.

Subsequent events

No material events occurred after the measurement date.

Additional information

None.

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Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is December 31, 2016. The benefit obligations were measured as of the Company's December 31, 2016 fiscal year end and are based on participant data as of the census date, January 1, 2016. We have projected forward benefit obligations to the end of the year, adjusting for benefit payments, expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

This is the same data that was used for the calculation of the Net Periodic Postretirement Benefit Cost/(Income) for the fiscal year ending December 31, 2017.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by the Company. The Company also provided information about the general ledger account balances for the other postretirement benefit plan cost at December 31, 2016, which reflect the expected funded status of the plans before adjustment to reflect the funded status based on the year-end measurements. Willis Towers Watson used information supplied by the Company regarding postretirement benefit asset, postretirement benefit liability and amounts recognized in accumulated other comprehensive income as of

December 31, 2016. This data was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the other postretirement benefit cost and other financial reporting have been selected by the Company. Willis Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the December 31, 2016 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated August 23, 2016 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its auditors in connection with our actuarial valuation of the other postretirement benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson").

Yannick Gagne, FSA
Valuation Actuary
14-06278
January 31, 2017

Brian M. Arnell, FSA
Valuation Actuary
14-07764
January 31, 2017

Eric Sock, FSA, MAAA
Pricing Specialist
January 31, 2017

The Pricing Specialist is responsible for developing and/or determining the reasonableness of retiree welfare plan trend and participation assumptions as well as assumed per capita claims costs (including the aging/morbidity assumption if applicable). The Valuation Actuary is responsible for other aspects of the valuation (e.g., developing and/or reviewing the reasonableness of other valuation assumptions and methods, ensuring that the valuation model reasonably reflects the substantive plan and actual plan operation, preparing demographic data, performing the valuation, implementing the correct accounting or funding calculations, etc.).

http://natct.internal.towerswatson.com/clients/606112/PNM2016/Documents/TNM MED 12-31-2016 Disclosure and 2017 Expense.docx

Section 2: Accounting exhibits

2.1 Disclosed benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending			12/31/2016	12/31/2015
A		**Disclosed Benefit Cost**		
	1	Employer service cost	185,774	247,177
	2	Interest cost	677,455	608,282
	3	Expected return on assets	(489,731)	(519,668)
	4	Subtotal	373,498	335,791
	5	Net prior service cost/(credit) amortization	0	0
	6	Net loss/(gain) amortization	(40,215)	0
	7	Subtotal	(40,215)	0
	8	Net periodic postretirement benefit cost/(income)	333,283	335,791
	9	Curtailments	0	0
	10	Settlements	0	0
	11	Special/contractual termination benefits	0	0
	12	Disclosed benefit cost	333,283	335,791
B		**Assumptions Used to Determine Benefit Cost**[1]		
	1	Discount rate	5.34%	4.45%
	2	Long-term rate of return on assets	5.70%	5.70%
	3	Current health care cost trend rate	N/A	N/A
	4	Ultimate health care cost trend rate	N/A	N/A
	5	Year of ultimate trend rate	N/A	N/A
C		**Effect of 1% Increase in Health Care Cost Trend Rates**		
	1	Employer service cost	185,774	247,177
	2	Interest cost	677,455	608,282
	3	Total	863,229	855,459
	4	Change	0	0
	5	Percentage change	0.00%	0.00%

[1] These assumptions were used to calculate Net Periodic Postretirement Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. See Appendix A for interim measurements, if any.

Fiscal Year Ending		12/31/2016	12/31/2015
D	**Effect of 1% Reduction in Health Care Cost Trend Rates**		
	1 Employer service cost	185,774	247,177
	2 Interest cost	677,455	608,282
	3 Total	863,229	855,459
	4 Change	0	0
	5 Percentage change	0.00%	0.00%

2.2 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Development of Balance Sheet Asset/(Liability)**		
1	Accumulated postretirement benefit obligation (APBO)	(12,830,438)	(13,105,260)
2	Fair value of assets (FVA) [1]	8,543,268	9,109,844
3	Net balance sheet asset/(liability)	(4,287,170)	(3,995,416)
B	**Current and Noncurrent Allocation**		
1	Noncurrent asset	0	0
2	Current liability	0	0
3	Noncurrent liability	(4,287,170)	(3,995,416)
4	Net balance sheet asset/(liability)	(4,287,170)	(3,995,416)
C	**Reconciliation of Net Balance Sheet Asset/(Liability)**		
1	Net balance sheet asset/(liability) at end of prior fiscal year	(3,995,416)	(3,975,882)
2	Employer service cost	(185,774)	(247,177)
3	Interest cost	(677,455)	(608,282)
4	Expected return on assets	489,731	519,668
5	Plan amendments	0	0
6	Actuarial gain/(loss)	81,744	(26,428)
7	Employer contributions	0	342,685
8	Benefits paid directly by the Company[2]	0	0
9	Medicare Part D subsidy on benefits paid during the year	0	0
10	Acquisitions/divestitures	0	0
11	Curtailments	0	0
12	Settlements (if settled using corporate cash)	0	0
13	Special/contractual termination benefits	0	0
14	Net balance sheet asset /(liability) at end of current fiscal year	(4,287,170)	(3,995,416)
D	**Assumptions and Dates Used for Disclosure**		
1	Discount rate	4.47%	5.34%
2	Current health care cost trend rate	N/A	N/A
3	Ultimate health care cost trend rate	N/A	N/A
4	Year of ultimate trend rate	N/A	N/A
5	Census date	01/01/2016	01/01/2015

[1] Excludes receivable contributions.
[2] Net of retiree contributions.

Fiscal Year Ending	12/31/2016	12/31/2015
E Effect of 1% Increase in Health Care Cost Trend Rates		
1 Accumulated postretirement benefit obligation (APBO)	(12,830,438)	(13,105,260)
2 Amount change	0	0
3 Percentage change	0.00%	0.00%
F Effect of 1% Reduction in Health Care Cost Trend Rates		
1 Accumulated postretirement benefit obligation (APBO)	(12,830,438)	(13,105,260)
2 Amount change	0	0
3 Percentage change	0 00%	0.00%

2.3 Accumulated other comprehensive (income)/loss

All monetary amounts shown in US Dollars

Fiscal Year Ending			12/31/2016	12/31/2015
A	**Accumulated Other Comprehensive (Income)/Loss**			
	1	Net prior service cost/(credit)	0	0
	2	Net loss/(gain)	(1,954,726)	(1,913,197)
	3	Accumulated other comprehensive (income)/loss[1]	(1,954,726)	(1,913,197)
B	**Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)**			
	1	AOCI at prior fiscal year end	(1,913,197)	(1,939,625)
	2	Amounts amortized during the year		
		a Net prior service (cost)/credit	0	0
		b Net (loss)/gain	40,215	0
	3	Occurring during the year		
		a Net prior service cost/(credit)	0	0
		b Net loss/(gain)	(81,744)	26,428
	4	AOCI at current fiscal year end	(1,954,726)	(1,913,197)

[1] Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.4 Additional disclosure information

All monetary amounts shown in US Dollars

		12/31/2016	12/31/2015
A	**Accumulated Postretirement Benefit Obligation (APBO)**		
1	Fully eligible actives	3,397,098	3,793,488
2	Other actives	2,582,622	2,996,331
3	Retirees, dependents and surviving spouses	6,850,718	6,315,441
4	Accumulated postretirement benefit obligation	12,830,438	13,105,260

		Benefit Payments[1] including Medicare Part D Subsidy	Medicare Part D Subsidy
B	**Expected Future Benefit Payments and Medicare Part D Subsidies**		
1	During fiscal year ending 12/31/2017	803,296	N/A
2	During fiscal year ending 12/31/2018	818,164	N/A
3	During fiscal year ending 12/31/2019	827,226	N/A
4	During fiscal year ending 12/31/2020	839,216	N/A
5	During fiscal year ending 12/31/2021	859,370	N/A
6	During fiscal years ending 12/31/2022 through 12/31/2026	4,465,915	N/A
C	**Expected Contributions during Fiscal Year ending December 31, 2017**		
1	Employer		685,370
2	Plan participants		520,000
D	**Expected Amortization Amounts during Fiscal Year ending December 31, 2017[2]**		
1	Amortization of net prior service cost/(credit)		0
2	Amortization of net loss/(gain)		(79,534)
3	Total		(79,534)

[1] Net of retiree contributions.
[2] These amounts have been determined assuming there are no special events, plan amendments, assumption changes, or actuarial losses/(gains) during the upcoming fiscal year.

2.5 Changes in disclosed liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2016	12/31/2015
A	**Change in Accumulated Postretirement Benefit Obligation (APBO)**		
1	APBO at prior fiscal year end	13,105,260	14,069,832
2	Employer service cost	185,774	247,177
3	Interest cost	677,455	608,282
4	Actuarial loss/(gain)	(95,711)	(575,174)
5	Plan participants' contributions	520,511	319,624
6	Benefits paid from plan assets	(1,562,851)	(1,564,481)
7	Benefits paid from the Company	0	0
8	Medicare Part D subsidy	0	0
9	Administrative expenses paid	0	0
10	Plan change	0	0
11	Acquisitions/(divestitures)	0	0
12	Curtailments	0	0
13	Settlements	0	0
14	Special/contractual termination benefits	0	0
15	APBO at current fiscal year end	12,830,438	13,105,260
B	**Change in Plan Assets**		
1	Fair value of assets at prior fiscal year end	9,109,844	10,093,950
2	Actual return on assets	475,764	(81,934)
3	Employer contributions	0	342,685
4	Plan participants' contributions	520,511	319,624
5	Benefits paid	(1,562,851)	(1,564,481)
6	Administrative expenses paid	0	0
7	Acquisitions/(divestitures)	0	0
8	Settlements	0	0
9	Fair value of assets at current fiscal year end	8,543,268	9,109,844