

**2010  
ANNUAL  
REPORT**  
+ FORM 10-K



**FINDING UP IN A DOWN ECONOMY.**

**In spite of continued economic challenges, 2010 was a year of positive changes, modest growth and fruitful dialogue. We've continued to streamline operations, and we are positioned for market growth in both New Mexico and Texas. We have more work to do to align regulated utility rates with operational costs, but we have made significant progress.**

# INVESTOR HIGHLIGHTS

in thousands except per share amounts and ratios

	2010	2009	2008
<b>FINANCIAL DATA</b>			
Electric Operating Revenues <sup>1</sup>	\$ 1,673,517	\$ 1,647,744	\$ 1,959,522
Operating Expenses <sup>1</sup>	\$ 1,434,065	\$ 1,455,802	\$ 2,189,336
Earnings (Loss) from Continuing Operations	\$ (31,124)	\$ 65,933	\$ (297,565)
Net Earnings (Loss) Attributable to PNMR	\$ (45,215)	\$ 124,316	\$ (270,644)
Retained Earnings at Year-End	\$ 314,943	\$ 405,884	\$ 327,290

<b>COMMON SHARE DATA</b>			
Earnings (Loss) per Common Share (Basic and Diluted)			
Ongoing Earnings <sup>2,4</sup>	\$ 0.87	\$ 0.94	\$ 0.10
Earnings (Loss) from Continuing Operations	\$ (0.49)	\$ 0.58	\$ (3.66)
Net Earnings (Loss) Attributable to PNMR	\$ (0.49)	\$ 1.36	\$ (3.24)
Book Value per Common Share at Year-End <sup>3</sup>	\$ 17.90	\$ 19.13	\$ 19.13
Dividends Declared per Common Share	\$ 0.500	\$ 0.500	\$ 0.605
Market Price per Share			
High	\$ 13.96	\$ 13.08	\$ 21.69
Low	\$ 10.81	\$ 5.94	\$ 7.56
Close at Year-End	\$ 13.02	\$ 12.65	\$ 10.08
Average Common Shares Outstanding (Basic) <sup>3</sup>	91,557	91,435	83,468
Average Common Shares Outstanding (Diluted) <sup>3</sup>	91,557	91,671	83,468

<b>FINANCIAL RATIOS</b>			
Market-to-Book Ratio at Year-End	0.73	0.66	0.53
Price Earnings Ratio at Year-End	Not Meaningful	9.30	Not Meaningful
Return on Average Common Equity <sup>3</sup>	(2.6%)	7.0%	(16.0%)
Dividend Yield on Market Price at Year-End	3.84%	3.95%	6.00

(1) Operating revenues and expenses are from continuing operations, excluding PNM Gas, which was sold on January 30, 2009.

(2) Ongoing earnings are adjusted to exclude the impact of net unrealized mark-to-market gains and losses on economic hedges, the net change in unrealized impairments on assets held in trusts for nuclear decommissioning, and certain other non-recurring or infrequent items. Ongoing earnings also include discontinued operations.

(3) Common shares reflect the Series A convertible preferred stock as if it was converted into common stock at the date of its issuance on November 17, 2008.

(4) Reconciliation of ongoing earnings per diluted share to Generally Accepted Accounting Principles (GAAP) earnings:

2010 diluted ongoing EPS	\$ 0.87	2009 diluted ongoing EPS	\$ 0.94	2008 diluted ongoing EPS	\$ 0.10
Mark-to-market impact of economic hedges	(0.19)	CapRock settlement	0.10	Acquisition/Divestiture	(0.07)
Write-down of emission allowances	(0.01)	Depreciation associated with sale of gas assets	0.01	Afton write-down	(0.02)
Impairment of equity investment in Optim Energy	(1.24)	Mark-to-market impact of economic hedges	0.05	Business improvement plan	(0.07)
Net change in unrealized impairments of NDT securities	0.02	Gain on reacquired debt	0.05	Depreciation on gas assets	0.16
Disposition of litigation	0.06	Gain on sale of gas operations	0.72	Economic mark-market hedges	(0.05)
2010 GAAP diluted EPS	\$ (0.49)	Settlement of California energy crisis legal proceeding	(0.21)	FIN 48 interest	(0.03)
		Interest on uncertain tax positions	0.04	Gain on sale of merchant portfolio	0.03
		Net change in unrealized impairments of NDT securities	0.03	Impairment of goodwill and other intangible assets	(2.54)
		Post sale discontinued operations	(0.03)	Regulatory disallowances	(0.22)
		Regulatory recoveries (disallowances)	(0.18)	Speculative trading	(0.40)
		Sale of water rights	0.01	Texas deferred tax adjustments	0.07
		Write-down of emission allowances	(0.17)	Unrealized impairments of NDT securities	(0.09)
		2009 GAAP diluted EPS	\$ 1.36	Write-off emission allowances	(0.11)
				2008 GAAP diluted EPS	\$(3.24)

# PNM RESOURCES

For the past several years, PNM Resources management has established key objectives that we ask you, our shareholders, to measure us by at the conclusion of each year. Some years we've met them all. Others, like 2010, we finished just shy of achieving all of our objectives. However, that is not to say the past year was unsuccessful. In fact, significant progress was made in our businesses to restore shareholder value and establish a solid foundation for growth. And we expect even more progress in 2011 and the years that follow.

In last year's annual report, we highlighted some of our employees and the passion they bring to their jobs each and every day. They've focused on the company's objectives and found ways to improve service and help the company achieve operational and financial expectations. Our employees have worked tirelessly the past few years so that PNM Resources can achieve three strategic goals that are listed to the right.

The beginning of our journey to reach these goals commenced in 2007 when we started to fundamentally change the rate structure of PNM, our largest utility. One year later, when the TNMP rate freeze expired, we turned our attention to the Texas regulatory framework. Later that year, we retooled and refocused our competitive businesses in Texas to be more nimble and responsive to that market's changing dynamics.

Knowing these goals would require multiple years to accomplish, we have been patient – and persistent – in our quest. The next few pages of this annual report summarize where this journey has taken our businesses and where we expect them to be in the near future.

## STRATEGIC GOALS

1

**EARN OUR  
AUTHORIZED  
RETURN ON  
OUR REGULATED  
BUSINESSES**

2

**MAXIMIZE THE  
VALUE OF OUR  
COMPETITIVE  
BUSINESSES**

3

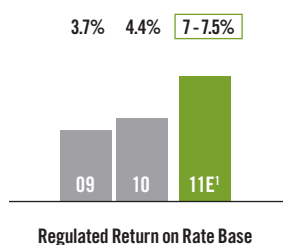
**RETURN TO SOLID  
INVESTMENT  
GRADE CREDIT  
RATINGS**

# PNM



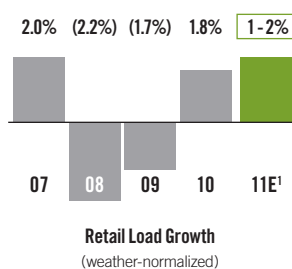
Founded in 1917, PNM is New Mexico's largest electricity provider and the cornerstone of PNM Resources' family of businesses. For the past four years, PNM has worked to improve its regulatory framework to better align consumers' rates with utility costs, resulting in the addition of \$110 million of much-needed annual rate relief.

Meanwhile, we've streamlined our operations, lowered debt and reduced costs in nearly every nook of the business.



## EARNING OUR ALLOWED RETURN ON RATE BASE

While significant progress has been made to improve PNM's financial health, work continues to establish an ongoing regulatory framework that balances customer impacts with a fair return for the utility. Holding costs down as much as possible while ensuring timely regulatory recovery of those costs is an enduring initiative.



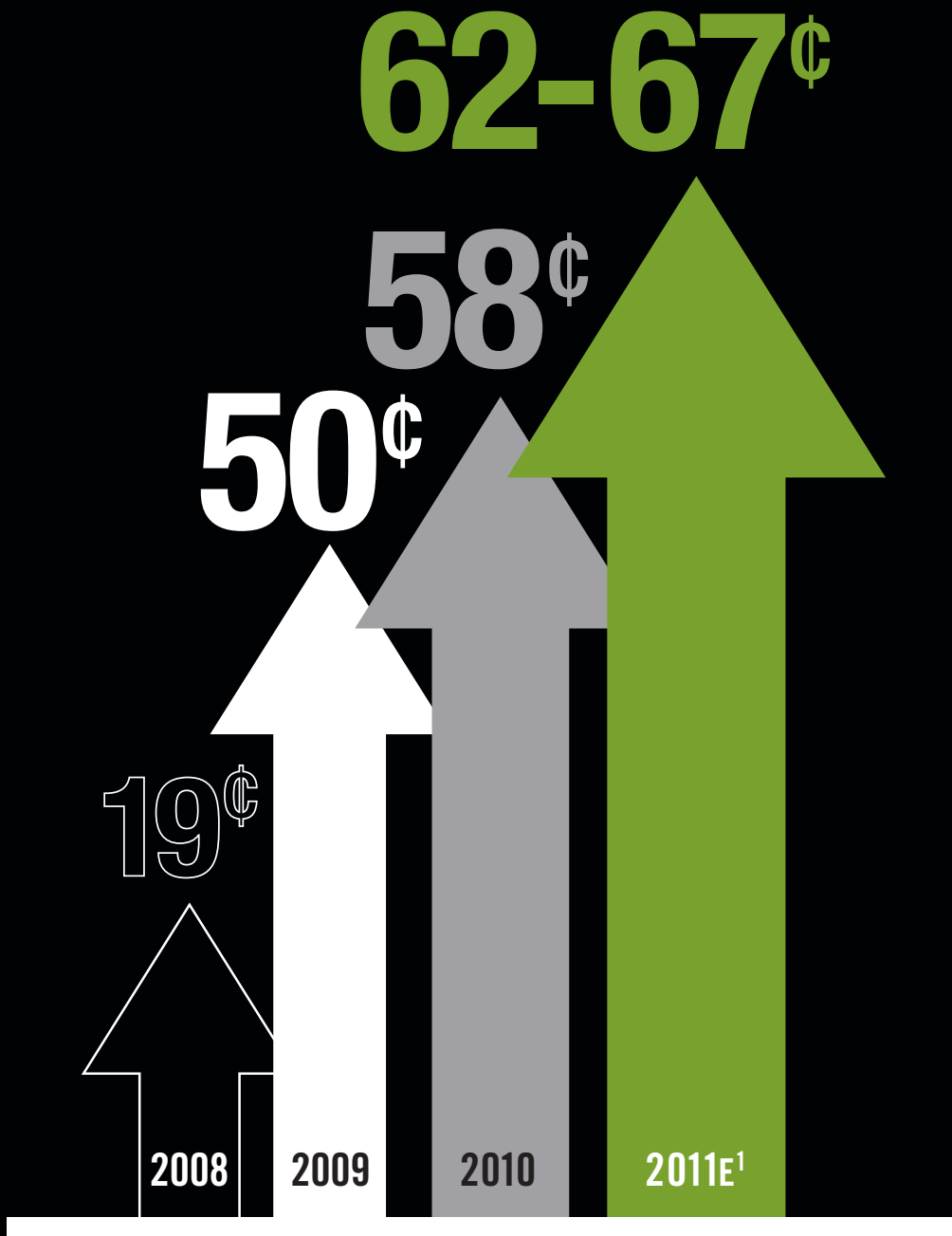
## RECOVERING LOAD GROWTH

The economic slowdown negatively affected PNM's load growth in 2008 and most of 2009. For five consecutive quarters, however, PNM's load has demonstrated a modest comeback. The outlook for 2011 is signaling a return to more normal and sustainable growth in electricity demand.

## MANAGING PIECEMEAL ENVIRONMENTAL REGULATION

Utilities, as well as other industries, are facing numerous state and/or federal environmental mandates designed to improve visibility, add more renewable energy sources and reduce greenhouse gas emissions. Not all are in sync with each other, though. While PNM Resources embraces the concept of environmental sustainability, we feel strongly that federal environmental mandates that cross all state boundaries will be the most effective.

<sup>1</sup> 2011 N.M. Public Regulation Commission jurisdictional (regulated) return on rate base estimate is based on numerous assumptions, including the N.M. PRC approving an \$85 million rate increase. All estimates in this annual report were only effective as of March 1, 2011, the day they were first publicly announced. The Company is not reaffirming the estimates, nor will it affirm or update its estimates unless, and until, a public announcement is made. For an explanation of ongoing earnings guidance and projected regulated return on rate base, and a reconciliation of PNM ongoing to GAAP and regulated earnings, please refer to Exhibit 1 to this annual report.



Contribution to PNM Resources Ongoing Earnings Per Share

**RESTORING FINANCIAL HEALTH** During the past three years, PNM's ongoing EPS has improved steadily, providing the foundation for continued investment in the future reliability of New Mexico's largest electric system.

# TNMP



TNMP delivers power to more than 230,000 accounts in communities in west Texas, suburban Dallas-Fort Worth, north-central Texas and the Gulf Coast area south of Houston. As a regulated electricity transmission and distribution utility, TNMP plays a role in maintaining the integrity of the Texas electricity infrastructure. Recent regulatory settlements and continued investment in its system have put TNMP in a strong position to improve its earnings and earn its allowed return on equity in the near future.

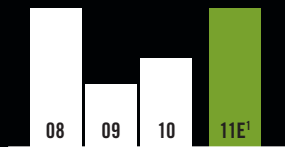
**\$64**  
MILLION

Capital Investment in Technology

## INTEGRATING TECHNOLOGY FOR CUSTOMERS

Pending regulatory approval, TNMP plans to launch a 6-year, \$64 million initiative in 2011 to install advanced meters for business and residential accounts throughout its Texas service area. The technology will improve company responsiveness to outages and help customers manage their energy use while supporting demand response and dynamic pricing in Texas' competitive marketplace.

28¢ 13¢ 17¢ 27¢-29¢



Contribution to PNM Resources  
Ongoing Earnings Per Share

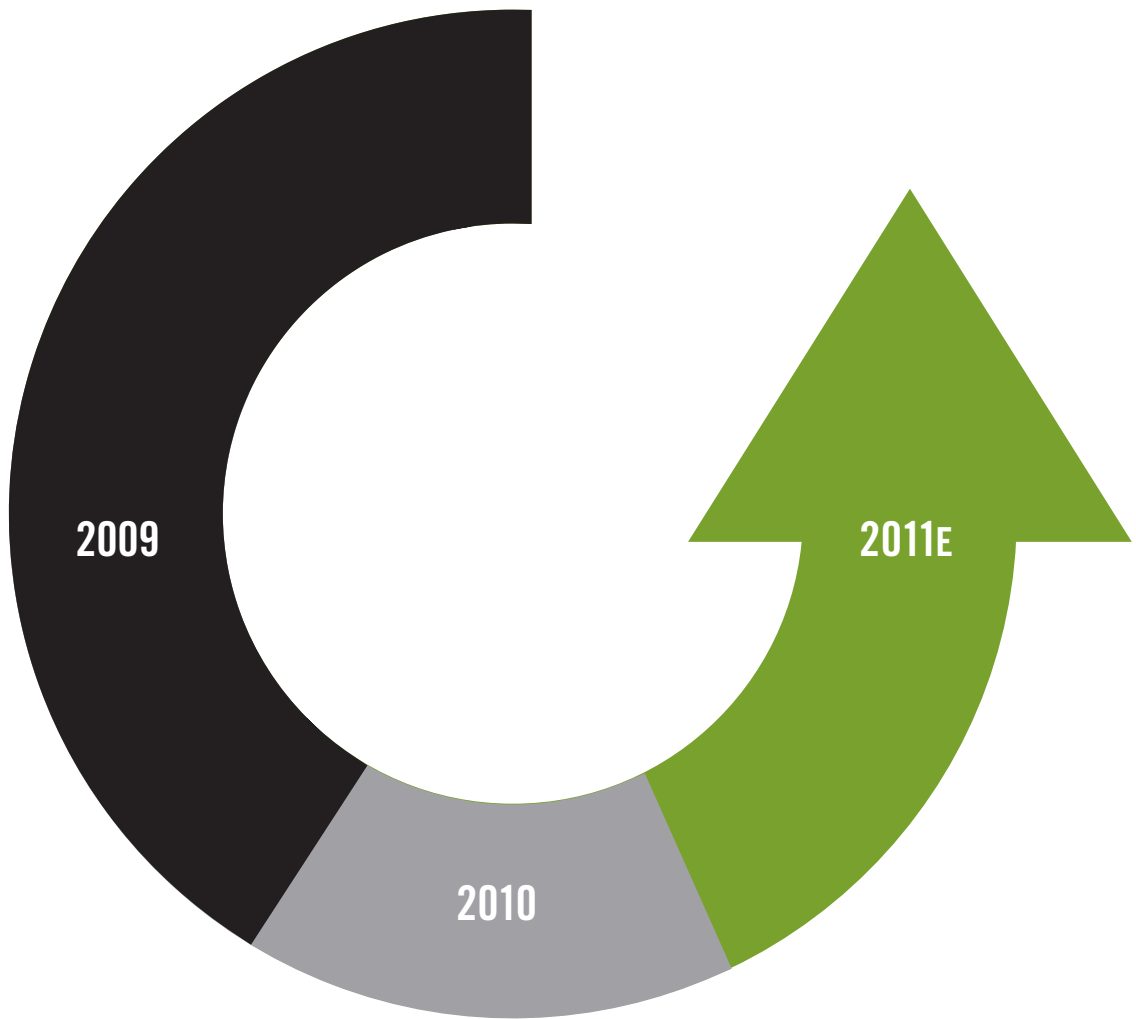
## EARNINGS PER SHARE

TNMP's most recent general rate cases have resulted in settlements and unanimous approval by state regulators. Combined with the implementation of transmission cost-of-service rates, which allow recovery of transmission investments between general rate cases, additional rate recovery has resulted in more than \$28 million in annual revenue since 2008.

## REINVESTING IN RELIABILITY

Despite the economic downturn, TNMP continued to invest in its transmission and distribution system. And, because of its commitment to maintaining a solid infrastructure, TNMP is among the nation's top quartile in providing safe, reliable power.

<sup>1</sup> All estimates in this annual report were only effective as of March 1, 2011, the day they were first publicly announced. The Company is not reaffirming the estimates, nor will it affirm or update its estimates unless, and until, a public announcement is made. Financial ROE calculation excludes \$226.7M of equity related to goodwill, associated with the 2005 acquisition of TNMP. For an explanation of ongoing earnings guidance and projected financial return on equity, and a reconciliation of TNMP ongoing to GAAP earnings, please refer to Exhibit 1 to this annual report.



**Financial Return on Equity<sup>1</sup>**

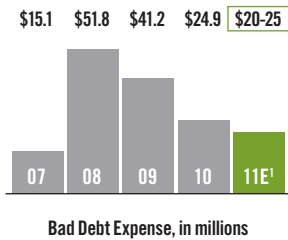
**IMPROVING OUR FINANCIAL METRICS** September 2009 marked the first rate increase for TNMP in more than five years and the first step toward restoring the utility's earnings potential. TNMP's most recent general rate case was unanimously approved by regulators and brings with it the opportunity for TNMP to earn its allowed return on equity.

**5.6%** **7.1%** **10.1%**

# FIRST CHOICE POWER



First Choice Power has been among the key retail electricity providers in Texas since the state deregulated its market and opened it up to competition in 2002. For the past two years, First Choice Power has been a significant contributor to PNM Resources' bottom line, accounting for nearly half of the company's ongoing earnings in 2009 and 2010.



### IMPROVING BAD DEBT

The combination of Hurricane Ike impacts, a slowed economy and market loopholes have resulted in escalated bad debt expense for nearly all retail electric providers in Texas' competitive electricity arena. Through the introduction of new payment options and nimble, but productive, customer acquisition policies, First Choice Power took hold of its bad debt situation and significantly lowered its bad debt expense to less than half of 2008 levels.



### REDUCING OVERALL DEBT

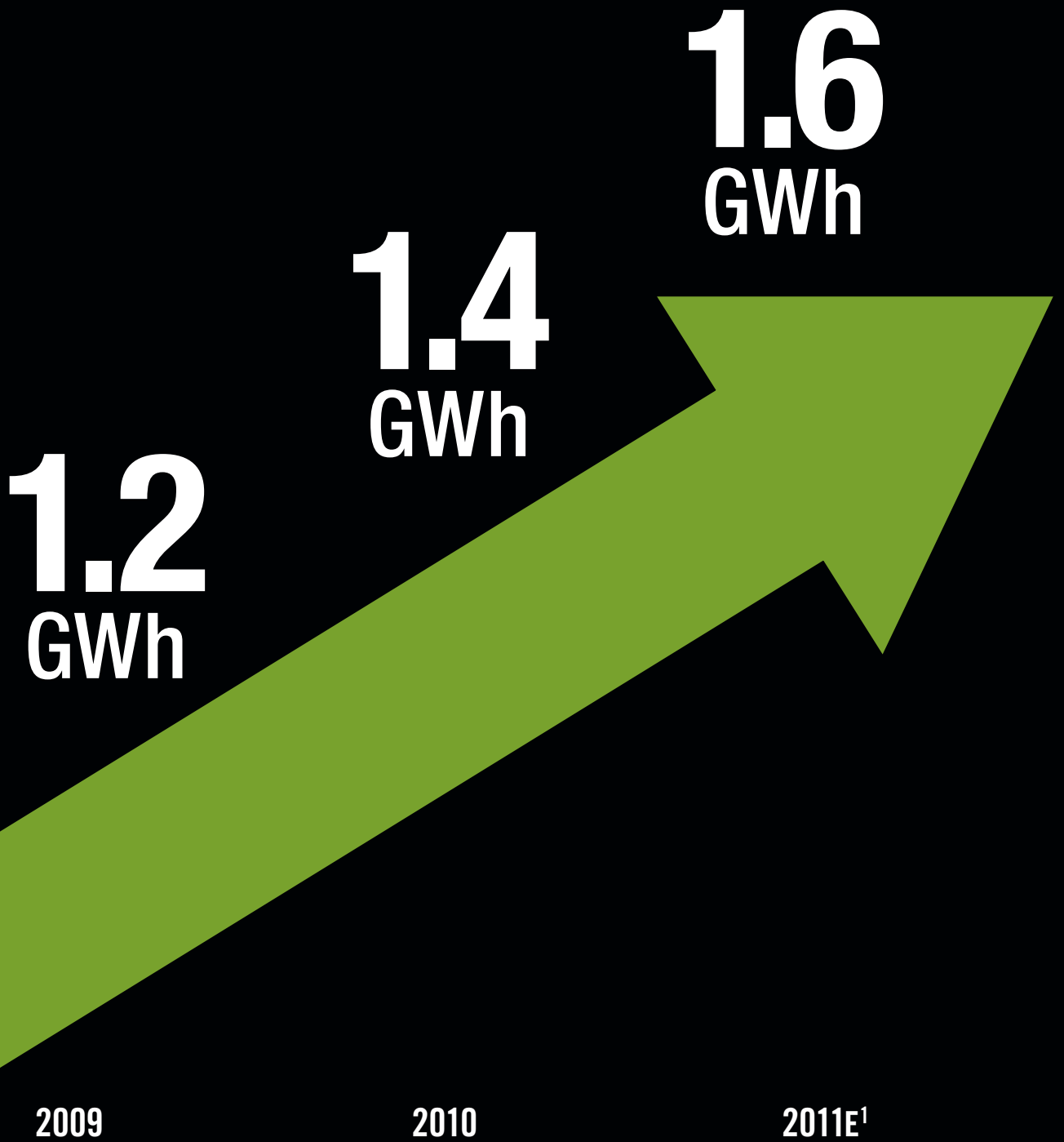
Through its focus on providing excellent customer service, growing wisely in targeted markets and operating as efficiently as possible, First Choice Power significantly reduced its outstanding debt from \$114.9 million at the end of 2008 to \$3.6 million at the end of 2010.



### ATTRACTING AND RETAINING CUSTOMERS

As Texas' fifth-largest retail electric provider, First Choice Power is a healthy regional player. We're focused on remaining a key participant in Texas' competitive market by attracting and retaining an ideal customer base that has a mix of residential and commercial accounts.

<sup>1</sup> 2011 First Choice Power estimates in this annual report were only effective as of March 1, 2011, the day the Company made its 2010 earnings announcement. The Company is not reaffirming these estimates, nor will it affirm or update any estimates unless, and until, a public announcement is made.



Commercial Sales In GWh

**DIVERSIFYING OUR CUSTOMER BASE** In 2009, First Choice Power began a more focused initiative to acquire additional commercial customers to augment its already strong residential customer portfolio. Diversifying its customer base is expected to improve costs per customer, improve retention and enhance earnings predictability.

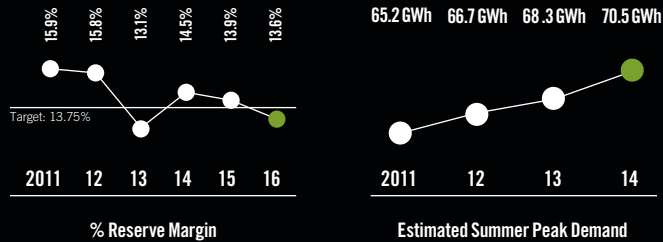
# OPTIM ENERGY



PNM Resources owns 50 percent of Optim Energy, an independent power producer in Texas with nearly 1,200 megawatts of generation and full service power marketing operations. Approximately 75 percent of Optim Energy’s capacity is provided by two efficient, highly responsive natural gas plants located within the high-demand Houston zone. Located in the Electric Reliability Council of Texas North zone, the coal-fired Twin Oaks Power Plant anchored Optim Energy’s fleet with strong reliability and operational performance. As Texas enters a third straight year of near-record low energy market prices, Optim Energy is poised to capture the benefits of a more vibrant Texas energy marketplace.

## MITIGATING A TOUGH ENVIRONMENT

Optim Energy delivered EBITDA results in 2010 that met expectations, despite natural gas prices being approximately 30 percent lower than anticipated. Optim Energy mitigated the negative impact of depressed market conditions by controlling costs, optimizing plant operations and through forward hedges that captured value in the real-time energy sales market.



Source: ERCOT Dec. 2010

## PREPARING FOR THE MARKET’S RETURN

The competitive Texas market is rebounding. Trends in both ERCOT’s peak demand and reserve margins indicate increased value for reliable, flexible generation capacity. In 2010, ERCOT experienced new peak demands for both winter and summer loads. Because of the current low-price environment, new generation build is slow in coming. The result is a declining electricity reserve margin for the state as demand levels increase. Beginning in 2013, ERCOT officials currently predict the reserve margin to dip below the target level of 13.75 percent. Once supply and demand equilibrium is reached, new generation will be needed and market prices should begin to recognize the value necessary for new generation investments. Having efficient, flexible and dependable generation resources available puts Optim Energy in a strong position to maximize its fleet when the market improves.

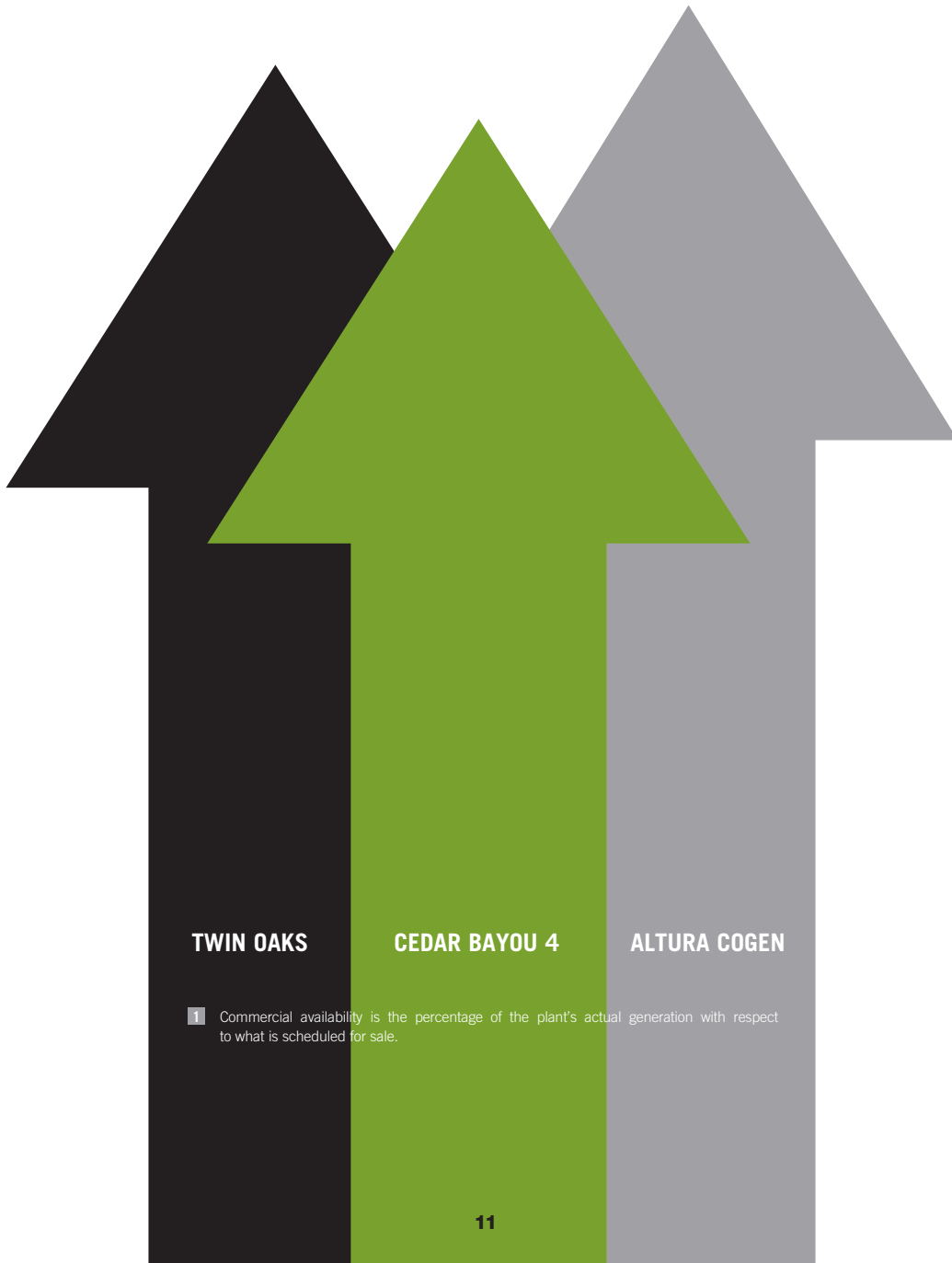
**MAXIMIZING OPERATIONAL PERFORMANCE**

Optim Energy's generation fleet finished 2010 with stellar performance. Its strong safety record continued through 2010 as Optim Energy had no lost-time incidents for 34 consecutive months.

Plant Performance 2010 - Commercial Availability <sup>1</sup>

**98.2%** **97.6%** **99.9%**

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**TWIN OAKS**

**CEDAR BAYOU 4**

**ALTURA COGEN**

<sup>1</sup> Commercial availability is the percentage of the plant's actual generation with respect to what is scheduled for sale.

## DEAR SHAREHOLDERS,

When your board of directors named me President and CEO of PNM Resources last March, many businesses and consumers were still caught in the recession's tight grip. By the end of 2010, however, the nation's economy showed signs of transitioning from recession to recovery. Layoffs were declining, inflation stayed in check, stock prices on Wall Street made strong recovery strides, and consumers on Main Street began to feel more comfortable about spending.



While those signs were promising, 2010 did not result in much improvement for job growth – one of the most tangible of all indicators. The economic recovery clearly isn't complete. Even so, for PNM Resources 2010 ended with your company being well-positioned for growth in nearly all facets of our businesses.

In the 2009 annual report, we told our shareholders that we would continue to take steps to resolve several regulatory issues. As you continue through this year's annual report, you will read about the progress we have made in the regulatory arenas for both of our utilities. We also said last year that our competitive businesses would focus less on growth and more on sustained financial performance. They did. And, we discussed how First Choice Power and Optim Energy serve as a natural financial hedge to each other. This past year demonstrated this balance nicely.

### FINDING UP IN A DOWN ECONOMY

PNM Resources was not immune to the recession's ongoing impacts. Since late 2007 – the start of the recession – our utilities, PNM and TNMP, have experienced continued operational cost pressures and very modest customer and load growth.

By this time next year, PNM will be capturing the sun's energy to produce a total of 22 megawatts of power from five New Mexico solar facilities.

22 MW

All the while, PNM and TNMP had been working to contain costs and seeking regulatory relief to better align consumer rates with operational costs. In the unregulated Electric Reliability Council of Texas market, the recession has had two different impacts on our two competitive businesses, First Choice Power and Optim Energy.

For the second consecutive year, First Choice Power, ERCOT's fifth-largest retail electricity provider, was a strong contributor to PNM Resources' bottom line. First Choice Power's results helped to offset the underperformance of Optim Energy, the independent power producer of which PNM Resources owns 50 percent. Optim Energy has been hampered by a challenging market that has resulted in low gas and power prices.

The cover of this annual report demonstrates an interesting and thought-provoking optical illusion. Whether you see black arrows pointing downward or white arrows pointing upward could depend on your perspective on the nation's economy. The dominating image on our cover, though, is clear to us at PNM Resources. We see white arrows and upward potential in all of our businesses as significant strides have been made toward the three strategic goals identified in this annual report. I've said many times that the road back to financial stability and health is a journey that will require persistence and patience. We've persevered through one of the longest recessions in our country's history, and, for PNM Resources, we've been through the downturns of under recovery, credit downgrades and declining value of our stock. Just like the economy is turning, so are we. PNM Resources is embarking on a revitalized earnings growth trajectory and building upon improved credit metrics.

## 2010: THE YEAR IN REVIEW

2010 was a year in which we delivered on a majority of our objectives set forth at the start of the year. A significant accomplishment was achieved in our regulated businesses as we strengthened their respective regulatory frameworks by filing four separate rate cases in three jurisdictions. In addition, both PNM and TNMP were successful in addressing other regulatory matters that strengthened the bottom line and improved their respective rate bases. Clearly, our regulatory framework has improved significantly since 2007.

Our utilities started 2010 with a better regulatory environment and ended the year with even stronger relationships with key parties active in regulatory processes. We have taken additional steps toward facilitating trust and understanding of the need for consumer rates to reflect our costs. At the time of this annual report's printing, for example, New Mexico regulators were considering approval of a rate case agreement that would put PNM on track to earn its allowed return.

**Compared with 2009, ongoing earnings per share in 2010 for our regulated utilities, PNM and TNMP, improved 16 percent and 31 percent, respectively.**

Our core electric utility businesses posted improvements in 2010 as a result of better regulatory recovery and continued cost management. Ongoing earnings for PNM and TNMP improved 16 percent and 31 percent, respectively, demonstrating financial improvement as both utilities continue to build solid foundations for strong earnings contributions in the years to come.

Our competitive businesses had mixed results in 2010. While First Choice Power posted strong earnings, the energy-price landscape in Texas continued to pressure power producers like Optim Energy. Because of the low-price environment, coupled with the values of power plants in reported sales transactions, PNM Resources impaired its investment in Optim Energy. The result was a non-cash reduction of earnings posted to the company's bottom line.

For 2010, consolidated ongoing earnings were \$0.87<sup>1</sup> per diluted share, compared with \$0.94<sup>1</sup> per diluted share in 2009. Last year's ongoing results included a \$0.08 contribution from the PNM gas operations, which was sold in January 2009. On a GAAP basis, the company posted losses of \$0.49 per diluted share, compared with 2009 earnings of \$1.36, which included the gain from the gas operations sale. GAAP losses in 2010 reflect the Optim Energy investment impairment charge.

<sup>1</sup> Ongoing earnings are adjusted to exclude the impact of various special items and include discontinued operations. For a complete reconciliation of ongoing earnings per diluted share to Generally Accepted Accounting Principles (GAAP) earnings per diluted share, see Footnote 4 of the Investor Highlights table on page 2.

## 2011 AND BEYOND

Strategic decisions made in the past two years have set the tone for our future growth. We realigned our sights to focus solely on the electric industry and sold PNM's natural gas operations. We then significantly reduced debt and further streamlined all of our operations. And, we established three strategic goals that have been underlying all of our decisions.

We believe our utilities are well on their way to being in a position to earn their respective allowed returns, and we will not relent in our goal to see both PNM and TNMP adequately and fairly recover their costs. Our competitive businesses have been retooled and are poised for sustainable earnings growth in the future. We will continue to explore various alternatives for these businesses so they can maximize their values.

We await one final achievement: The return to investment grade ratings at our regulated businesses and ultimately at PNM Resources. While we have made strides toward that goal – Moody's Investors Service upgraded our businesses' outlooks to "Stable" last March – the path back to investment grade is a winding, bumpy and tough one. We are confident, however, that our journey is headed in the right direction and soon will be complete.

Poet Robert Frost wrote: "The best way out is always through." It is a phrase that exemplifies PNM Resources' focus the past few years. We've worked diligently to work through various obstacles and soon, we believe, we will celebrate fully our achievement.

The years to come are ripe for earnings growth and a return to firm financial footing. It's a result of our committed employees. On behalf of our management, I want to thank each and every employee of PNM Resources and our subsidiaries. And, on behalf all of us at PNM Resources, thank you to our shareholders for your unwavering confidence and support.



**PAT VINCENT-COLLAWN**  
President and CEO

## STRATEGIC GOALS

RETURN TO SOLID  
INVESTMENT GRADE  
CREDIT RATINGS

# 3

# BOARD OF DIRECTORS

## **JEFFRY E. STERBA**

### **Chairman**

Chairman. President and CEO of American Water Works Company. Retired CEO of PNM Resources. Age 56. Director since 2000.

## **PAT VINCENT-COLLAWN**

President and CEO of PNM Resources. Age 52. Director since 2010.

## **ADELMO E. ARCHULETA**

President and CEO of Molzen-Corbin & Associates. Age 60. Director since 2003. Finance Committee; Nominating and Governance Committee, Chair.

## **JULIE A. DOBSON**

Chairman of TeleBright Corporation. Age 54. Director since 2002. Audit and Ethics Committee, Chair; Compensation and Human Resources Committee.

## **ROBERT R. NORDHAUS**

Member of Van Ness Feldman, P.C., Attorneys at Law. Age 74. Director since 2007. Audit and Ethics Committee; Nominating and Governance Committee.

## **MANUEL T. PACHECO PH.D.**

President Emeritus, University of Missouri System. Age 69. Director since 2001. Audit and Ethics Committee; Compensation and Human Resources Committee.

## **BONNIE S. REITZ**

Owner/Founder InsideOut... Culture to Customer. Age 58. Director since 2002. Nominating and Governance Committee; Finance Committee.

## **DONALD K. SCHWANZ**

Retired Chairman and CEO of CTS Corporation. Age 67. Director since 2008. Finance Committee, Chair; Compensation and Human Resources Committee.

## **BRUCE W. WILKINSON**

Retired Chairman and CEO of McDermott International. Age 66. Director since 2010. Finance Committee; Audit and Ethics Committee.

## **JOAN B. WOODARD PH.D.**

Retired Executive Vice President and Deputy Director of National Security Technologies & Systems for Sandia National Laboratories. Age 58. Director since 2003. Compensation and Human Resources Committee, Chair; Nominating and Governance Committee.

**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995** Any statements made herein about future operating results or other future events are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these forward-looking statements. A discussion of factors that could cause actual results or events to differ is contained in the section entitled "Disclosure Regarding Forward Looking Statements" in the attached Form 10-K for the year ended December 31, 2010.

## THE COMPANY

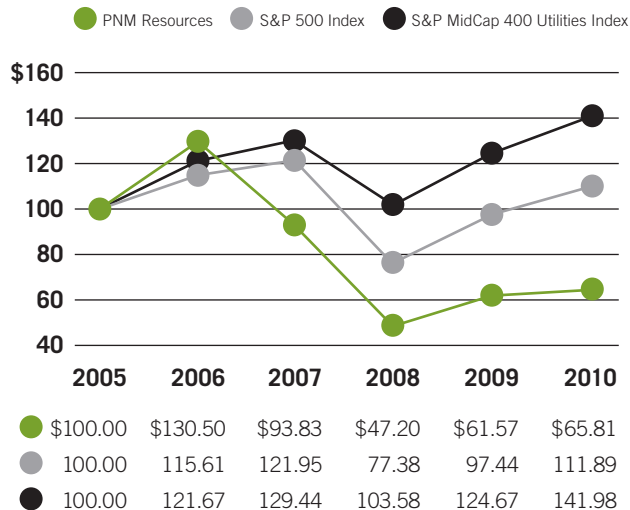
### PNM RESOURCES, INC. AND SUBSIDIARIES

PNM Resources, is an investor-owned holding company of energy and energy-related businesses. PNM Resources' primary subsidiaries are PNM, TNMP and First Choice Power. PNM is a regulated utility in New Mexico with operations primarily engaged in the generation, transmission and distribution of electricity. TNMP is a regulated utility operating in Texas, providing transmission and distribution services. First Choice Power is a competitive retail electricity provider in Texas. PNM Resources also owns 50 percent of Optim Energy, which is focused on unregulated electricity generation operations in the Electric Reliability Council of Texas.

### STOCK PERFORMANCE

The graph at right assumes that \$100 was invested on Dec. 31, 2005, in PNM Resources common stock, the S&P 500 Stock Index and the S&P MidCap 400 Utilities Index, and that all dividends were reinvested.

### COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



Data Source: Bloomberg. Historical performance does not necessarily predict future results. PNM Resources' common stock is traded on the NYSE.

## SHAREHOLDER INFORMATION

### 2011 ANNUAL MEETING

The 2011 Annual Meeting of Stockholders will be at 9 a.m. (MDT) on May 17, 2011, at the South Broadway Cultural Center, 1025 Broadway SE, Albuquerque, N.M. Proxies will be requested from stockholders when the notice of meeting is mailed on or about April 5, 2011.

### TRANSFER AGENT AND REGISTRAR

#### Corporate Headquarters

BNY Mellon Shareowner Services  
(877) 663-7775  
[www.bnymellon.com/shareowner/isd/](http://www.bnymellon.com/shareowner/isd/)

Overnight, registered or certified mail:  
480 Washington Boulevard, Jersey City, NJ 07310-1900

### DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASE PLAN

PNM Resources offers a dividend reinvestment and direct stock purchase plan as a service to both new investors and current shareholders. In addition to full or partial reinvestment of dividends, the PNM Direct Plan gives shareholders the opportunity to make direct cash investments. More information about the plan and enrollment forms are available through BNY Mellon Shareowner Services.

### SECURITIES INFORMATION

NYSE Listed  
Stock Symbol: PNM  
Common shareholders of record: 12,671  
(as of Feb. 18, 2011)  
Newspaper listing: PNM Res

### REPORTS AND PUBLICATIONS

Copies of the company's Form 10-K (annual report) and Forms 10-Q (quarterly report) to the Securities and Exchange Commission (SEC), proxy statement, all news releases, up-to-date stock quotes, quarterly earnings results and other corporate literature are available free upon request by accessing the information at [PNMResources.com](http://PNMResources.com), or by calling (505) 241-2868, or by writing to Shareholder Services, MS 1120, Alvarado Square, Albuquerque, N.M. 87158

### CONTACT INFORMATION

#### Corporate Headquarters

PNM Resources  
Alvarado Square, Albuquerque, N.M. 87158  
(505) 241-2700

#### Investor Relations

Gina Jacobi, Director  
Investor Relations  
(505) 241-2211 | (505) 241-2369 – Fax

This publication is printed on recycled paper.



## Exhibit 1

### Regulated Return on Rate Base

The Company uses a N.M. Public Regulation Commission jurisdictional (regulated) return on rate base to evaluate the operations of PNM's regulated retail business. While the Company believes this financial measure is appropriate and useful for investors, it is not a measure presented in accordance with generally accepted accounting principles in the U.S. (GAAP). The Company does not intend for this measure, or any piece of this measure, to represent any financial measure as defined by GAAP. Furthermore, the Company's calculation of this measure as presented may or may not be comparable to similarly titled measures used by other companies.

Return on rate base measures the PNM regulated earnings as a percentage of the portion of its rate base deemed financed by common equity. Return on rate base is calculated by dividing regulated earnings (reconciled below) by the common equity portion of its estimated rate base, based on a defined capital structure. The Company believes rate base to be a measure that is required by the N.M. PRC and does not believe rate base or return on rate base to be comparable to a GAAP measure.

The tables below provide a reconciliation of PNM GAAP earnings to PNM regulated return and the calculation of return on rate base.

#### Schedule 1 Reconciliation of PNM Ongoing to GAAP Earnings

	2009	2010
	(in thousands)	
PNM Electric Ongoing Earnings	\$ 45,788	\$ 53,598
Adjusting items, net of income tax effects <sup>(1)</sup>		
Business improvement plan	(319)	-
Disposition of litigation	-	5,141
Interest on uncertain tax positions	3,534	-
Loss on reacquired debt	-	(283)
Mark-to-market impact of economic hedges	2,857	(3,460)
Net change in unrealized impairments of NDT securities	3,550	1,774
Regulatory recoveries (disallowances)	(16,233)	-
Settlement of California energy crisis legal proceeding	(19,312)	-
Work continuance planning	(382)	-
Total Adjustments	(26,305)	3,172
GAAP Net Earnings Available for PNM Common Stock:		
Continuing Operations	19,483	56,770
Discontinued Operations (PNM Gas) <sup>(2)</sup>	70,801	-
GAAP Net Earnings Available for PNM Common Stock	\$ 90,284	\$ 56,770

#### Reconciliation of PNM Ongoing earnings to PNM Regulated Earnings

	2009	2010
	(in thousands)	
PNM Electric Ongoing Earnings	\$ 45,788	\$ 53,598
less amounts excluded from N.M. PRC Regulated Earnings <sup>(3)</sup>	(14,249)	(13,028)
PNM Regulated Earnings	\$ 31,539	\$ 40,570

#### Calculation of return on rate base

	2009	2010
	(in thousands, except percentages)	
PNM Regulated Earnings	\$ 31,539	\$ 40,570
PNM Regulated Rate Base	1,689,341	1,780,992
Common equity percentage of capital structure	50.47%	52.24%
Common equity portion of rate base	852,610	930,390
<b>Return on Rate Base</b>	<b>3.7%</b>	<b>4.4%</b>

<sup>(1)</sup> Income tax effects calculated using tax rate 39.59%.

<sup>(2)</sup> Includes gain on sale of PNM Gas of \$65,341, net of income taxes of \$33,085.

<sup>(3)</sup> Amounts not pertaining to N.M. PRC Regulated Earnings include earnings related to FERC transmission, FERC generation contracts, excluded assets (such as the Palo Verde Nuclear Generating Station Unit 3, Palo Verde Nuclear Decommissioning Trust and Palo Verde Nuclear Generating Station lessor notes), specific rate riders (such as renewables), and other items that are excluded from a N.M. PRC cost-of-service filing.

## Financial Return on Equity

The Company uses a financial return on equity to evaluate the operations of TNMP's business. While the Company believes this financial measure is appropriate and useful for investors, it is not a measure presented in accordance with generally accepted accounting principles in the U.S. (GAAP). Financial return on equity is calculated by dividing ongoing earnings (reconciled below) by Average Common Stockholder's Equity, excluding goodwill. The tables below provide a reconciliation of TNMP GAAP earnings to ongoing earnings and the calculation of financial return on equity.

### Schedule 2 Reconciliation of TNMP Ongoing to GAAP Earnings

	<u>2009</u>	<u>2010</u>
	(in thousands)	
Ongoing Earnings	\$ 11,909	\$ 15,982
Adjusting items, net of income tax effect <sup>(4)</sup>		
Regulatory recoveries	257	-
Total Adjustments	257	-
GAAP Net Earnings	<u>\$ 12,166</u>	<u>\$ 15,982</u>

### Calculation of TNMP financial return on equity

	<u>2009</u>	<u>2010</u>
	(in thousands, except percentages)	
Ongoing Earnings	\$ 11,909	\$ 15,982
Total Common Stockholder's Equity - Prior Year	423,690	451,791
Total Common Stockholder's Equity - Current Year	451,791	453,283
Total Common Stockholder's Equity - Average	437,741	452,537
less equity related to goodwill	(226,665)	(226,665)
Average Common Stockholder's Equity, excluding goodwill	<u>211,076</u>	<u>225,872</u>
Financial Return on Equity	<u>5.6%</u>	<u>7.1%</u>

The table below provides a reconciliation of PNM and TNMP ongoing earnings to GAAP net earnings (loss) available for common stock.

### Schedule 3 Contribution to PNM Resources in earnings per share (cents per share)

	<u>PNM</u>			<u>TNMP</u>		
	2008	2009	2010	2008	2009	2010
Ongoing Earnings	19	50	58	28	13	17
Acquisition/Divestiture	(3)	-	-	-	-	-
Afton write-down	(2)	-	-	-	-	-
Disposition of litigation	-	-	6	-	-	-
Gain on sale of merchant portfolio	3	-	-	-	-	-
Impairment of goodwill	(61)	-	-	(42)	-	-
Interest on uncertain tax positions	(3)	4	-	-	-	-
Mark-to-market impact of economic hedges	(4)	3	(4)	-	-	-
Net change in unrealized impairments of NDT securities	(9)	3	2	-	-	-
Regulatory (recoveries) disallowances	(22)	(18)	-	-	-	-
Settlement of California energy crisis legal proceeding	-	(21)	-	-	-	-
Texas deferred tax adjustments	-	-	-	3	-	-
GAAP Net Earnings (Loss) Available for Common Stock	<u>(82)</u>	<u>21</u>	<u>62</u>	<u>(11)</u>	<u>13</u>	<u>17</u>

## Ongoing Earnings Guidance and Projected Returns on Equity

PNM Resources uses ongoing earnings guidance and projected financial and regulated returns to provide investors with management's expectations of ongoing financial performance over the period presented. While PNM Resources believes ongoing earnings guidance and projected financial and regulated returns on equity are appropriate measures, they are not measures presented in accordance with GAAP. PNM Resources does not intend for ongoing earnings guidance or projected financial and regulated returns to represent an expectation of measures as defined by GAAP. Management is generally not able to estimate the impact of the reconciling items between forecasted non-GAAP measures and forecasted GAAP measures, nor their probable impact on GAAP measures; therefore, management is generally not able to provide a corresponding GAAP equivalent for earnings guidance and projected financial and regulated returns.

<sup>(4)</sup> Income tax effect calculated using tax rate of 35.65%.