

PNM RESOURCES INC
Form PRE 14A
March 18, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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PNM Resources, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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PNM Resources, Inc.
Alvarado Square
Albuquerque, NM 87158

Notice of Annual Meeting of Shareholders

Tuesday, May 17, 2005

9:00 a.m., Mountain Daylight Time

National Hispanic Cultural Center

1701 Fourth Street, SW

Albuquerque, New Mexico

April 1, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of PNM Resources, Inc. (PNM Resources). The meeting will be held on Tuesday, May 17, 2005, at **9:00 a.m. (Mountain Daylight Time)**, at the National Hispanic Cultural Center, Bank of America Theatre, 1701 Fourth Street, SW, Albuquerque, New Mexico. A map to the meeting location is included on the back page of this proxy statement. At the meeting, shareholders are being asked to:

Elect three (3) directors.

Act upon a proposal to approve the appointment of Deloitte & Touche LLP, as independent public accountants for 2005.

Approve an amendment to the Restated Articles of Incorporation of PNM Resources, Inc.

Approve the Amended and Restated Omnibus Performance Equity Plan (PEP).

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Transact any other business properly brought up at the meeting.

Holders of PNM Resources common stock of record at the close of business on March 28, 2005, may vote at the meeting.

This proxy statement and proxy card are being distributed on or about April 1, 2005. Your vote is important. The continuing interest of our shareholders in the business of PNM Resources is appreciated and we hope you will be able to attend.

Sincerely,

Jeffrey E. Sterba

Chairman of the Board, President and

Chief Executive Officer

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PNM Resources, Inc.

Proxy Statement for 2005 Annual Meeting of Shareholders

Tuesday, May 17, 2005

SUMMARY OF PROPOSALS YOU ARE ASKED TO VOTE ON

This proxy statement summarizes the information you need to know to vote at the 2005 Annual Meeting of Shareholders (Annual Meeting). You do not need to attend the Annual Meeting to vote your shares. We first mailed the proxy statement and proxy card to shareholders on or about April 1, 2005.

Proposal 1 Election of Directors

The Board recommends Adelmo E. Archuleta, Julie A. Dobson and Charles E. McMahan for election to the Board of Directors (Board or Directors) of PNM Resources, Inc. at the Annual Meeting. Detailed information on these nominees is provided on page 5. Directors are elected for a three-year term. If a nominee becomes unavailable for election, proxy holders will vote for another nominee proposed by the Board.

The Board of Directors unanimously recommends a vote FOR each director nominee.

Proposal 2 - Approval of Independent Public Accountants

The Audit and Ethics Committee (Audit Committee) of the Board, which is composed entirely of independent non-employee directors, selects and hires the independent public accountant to audit the Company's books, subject to ratification by the Company's shareholders. The Audit Committee has selected Deloitte & Touche LLP to audit the Company's consolidated financial statements for the fiscal year beginning January 1, 2005.

Representatives of Deloitte & Touche LLP will attend the Annual Meeting, where they will have the opportunity to make statements and answer questions. If shareholders fail to ratify the appointment of Deloitte & Touche LLP, the Audit Committee would reconsider its selection.

The Board of Directors unanimously recommends a vote FOR the appointment of Deloitte & Touche LLP, as independent public accountants for fiscal year 2005.

Proposal 3 Approval of an Amendment to Restated Articles of Incorporation of PNM Resources, Inc.

The Board is asking shareholders to approve an amendment to the Restated Articles of Incorporation of PNM Resources (Articles) to authorize the granting of additional voting rights to holders of any series of preferred stock that is convertible into common stock, subject to a cap on the amount of preferred stock that may be outstanding at any one time with the additional new voting rights.

The Board of Directors unanimously recommends a vote FOR the Approval of an Amendment to the Restated Articles of Incorporation of PNM Resources, Inc.

Proposal 4 Approval of the Amended and Restated Omnibus Performance Equity Plan

The Board is asking shareholders to approve amending the current Omnibus Performance Equity Plan to permit non-employee Board members to participate, to increase the number of shares available for award by 4,500,000 shares to a total of 8,250,000 shares, to extend the term of the plan from the end of 2010 to 2015 and to make changes to the plan to facilitate compliance with Section 409A of the Internal Revenue Code of 1986, as amended (Code). The plan has been restated to incorporate these amendments.

The Board of Directors unanimously recommends a vote FOR the Approval of the Amended and Restated Omnibus Performance Equity Plan.

INTRODUCTION

PNM Resources, Inc. (PNM Resources or the Company) trades on the New York Stock Exchange (NYSE) under the PNM symbol. Public Service Company of New Mexico (PNM) is the principal subsidiary of PNM Resources, serving approximately 471,000 natural gas customers and 413,000 electric customers in New Mexico. PNM also sells power on the wholesale market in the western United States.

GOVERNANCE

The Board recognizes the importance of corporate governance to the proper management of the Company. Accordingly, the Board has organized the various governance policies adopted and practiced over the years into a consolidated Corporate Governance Principles document so that investors, employees, customers, regulators and the community may be aware of the policies followed by the Company. These principles have been approved by the full Board after analysis of policy considerations, and the Board has chosen those practices they believe to be in the best interests of its investors. Because the Board recognizes the on-going debate with regard to corporate governance practices, it has charged its Governance and Public Policy Committee with reviewing the principles at least annually (or more often if necessary) and to recommend any necessary changes to the Board.

The Corporate Governance Principles document is attached as Appendix A and can also be found on PNM Resources website at www.pnm.com/governance. The principles document sets forth key practices and addresses the following:

Responsibilities of the Board

Process for Director Nominations

Director Qualifications

Director Independence

Planning/Oversight Functions

Director Service

CODE OF ETHICS

The Company has adopted a code of ethics, *Do the Right Thing-Principles of Business Conduct*, that applies to all directors, officers (including the principal executive officer, principal financial officer and principal accounting officer) and employees. *Do the Right Thing* is available in print to any shareholder who requests it by writing to the Ethics and Compliance Department, PNM Resources, Inc., Alvarado Square, MS-2804, Albuquerque New Mexico 87158. *Do the Right Thing* is also available on our website at www.pnm.com/governance. The Company will post amendments to or waivers from its code of ethics (to the extent applicable to the Company's executive officers and directors) at this location on its website.

Concerns relating to financial statement disclosures, accounting, internal accounting controls or auditing matters and other matters involving violations of law are handled in accordance with the complaint procedures adopted by the Audit Committee that are posted on our website at

www.pnm.com/governance. We have also established an anonymous/confidential hotline through which employees may report concerns about the Company's business practices.

ATTENDANCE AND VOTING MATTERS

Admission tickets will be distributed at the registration tables in the lobby of the National Hispanic Cultural Center, Bank of America Theatre, prior to the Annual Meeting. Attendance is limited to shareholders of record on March 28, 2005. If your shares are held in the name of your broker, bank, or other nominee, please bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares as of the record date.

For your convenience, we have established four easy methods for voting:

In Person: You can attend and cast your vote at the Annual Meeting.

By Telephone: For automated telephone voting, call **1-866-540-5760** (toll free)
(Please refer to the instructions on the enclosed proxy card.)

By Internet: Access <http://www.proxyvoting.com/pnm>
(Please refer to the instructions on the enclosed proxy card. NOTE: There is a different Internet address for shares held in the 401(k) plan. Access <http://www.proxyvoting.com/pnm-emp>) Shareholders voting through the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be paid by the shareholder.

By Mail: Simply return your executed proxy card in the enclosed postage-paid envelope.

Your shares will be voted in the manner you indicate. In the absence of specific instructions, proxies will be voted by those named in the proxy FOR the election of directors nominated, FOR the approval of the selection of Deloitte & Touche LLP, as independent public accountants, FOR approval of an amendment to the Restated Articles of Incorporation of PNM Resources, Inc., and FOR approval of the Amended and Restated Omnibus Performance Equity Plan and on all other matters in accordance with their best judgment. You can revoke your proxy at any time before it is exercised and vote your shares in person if you attend the meeting.

Each share of PNM Resources common stock you own entitles you to one vote. As of March 28, 2005, there were 60,464,595 shares of PNM Resources common stock outstanding.

Quorum and Vote Necessary for Action - A quorum of shareholders is necessary to hold a valid meeting. If at least a majority of the PNM Resources common stock outstanding on the record date is represented at the Annual Meeting, in person or by proxy, a quorum will exist.

A quorum and the affirmative vote of the holders of a majority of the shares of PNM Resources common stock present, in person or by proxy, and entitled to vote at the Annual Meeting are required to elect directors, approve the appointment of independent public accountants and approve the Amended and Restated Omnibus Performance Equity Plan. Abstentions will have the effect of a vote against these matters while broker non-votes will not be counted in calculating voting results on these matters. Further, in order to satisfy the requirements of New Mexico law relating to director conflict of interest transactions, shares owned by or voted under the control of a non-employee director are not entitled to be counted in the vote concerning approval of the Amended and Restated Omnibus Performance Equity Plan.

A quorum and the affirmative vote of the holders of a majority of the shares of PNM Resources common stock entitled to vote at the Annual Meeting are required to amend the Restated Articles of Incorporation of PNM Resources. Abstentions and broker non-votes will have the effect of a vote against this matter.

Shares Held In Street Name - If your shares are registered in your name on the books and records of our transfer agent, you are a registered stockholder. If your shares are held for you in the name of your broker or bank, your shares are held in street name. If you do not return your proxy and your shares are held in street name, your brokerage firm may vote your shares on certain routine matters. When a brokerage firm votes its customers' unvoted shares on routine matters, these shares are counted to determine if a quorum exists to conduct business at the meeting. The election of directors and the approval of the appointment of Deloitte & Touche LLP as independent public accountants for 2005 are considered routine matters for which brokerage firms may vote your shares without your proxy.

A broker non-vote occurs when a broker is not permitted under NYSE rules to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. Proposals 3 (approve an amendment to the Restated Articles of Incorporation of PNM Resources, Inc) and 4 (approve the Amended and Restated Omnibus Performance Equity Plan) are considered non-routine matters and so your shares cannot be voted on these matters without receipt of your voting instructions. We encourage you to provide instructions to your broker by giving your proxy. This ensures that your shares will be voted at the meeting.

Shares Held in the Retirement Savings Plan If you are a participant in the PNM Resources, Inc. Retirement Savings Plan (401(k) Plan), and shares of PNM Resources have been allocated to your account under the PNM Resources Stock Fund investment option of the 401(k) Plan, then you will receive a separate vote authorization form and supplemental materials on voting instructions for these shares from the Corporate Investment Committee.

Voting Registered Shares and Shares Held in 401(k) Plan and Employee Stock Purchase Plan (ESPP) Please use the enclosed proxy card to vote your registered shares, which includes shares purchased by employees through the ESPP prior to the record date. Thus, if you are a registered shareholder and have shares allocated to your 401(k) plan account, you will need to vote your registered shares with the proxy card and vote your 401(k) plan shares with the 401(k) plan vote authorization form.

Matters Raised at the Meeting not Included in this Proxy Statement The Board knows of no other business to be conducted at the Annual Meeting other than those discussed in this proxy statement. If any other matter is properly presented, the proxy committee will vote on the matter in accordance with its judgment. Shareholders attending the meeting will directly vote on those matters.

PROPOSAL 1: ELECTION OF DIRECTORS (PROPOSAL 1 ON YOUR PROXY CARD)

General Information

The Board presently consists of eight (8) members, seven (7) of whom are non-employee Directors. There is one vacancy. The Board is divided into three classes of approximately equal size, with the Directors in each class serving a three-year term. The terms are staggered so that the term of one class expires at each Annual Meeting.

R. Martin Chavez resigned as a member of PNM Resources Board effective March 14, 2005, as a result of a change in employment status and to avoid any potential conflict of interest. Dr. Chavez has served on the Board since 2001 and his board service has been sincerely appreciated.

Bracewell & Patterson L.L.P. recommended Charles E. McMahan for Board consideration as a director candidate. The Governance & Public Policy Committee interviewed Mr. McMahan and subsequently approved his nomination for recommendation to the full Board. On February 16, 2005, the Board approved his nomination for election to the Board of Directors of PNM Resources, Inc. at the Annual Meeting to

fill the vacancy created by Dr. Chavez's resignation.

If a nominee becomes unavailable for election, proxy holders will vote for another nominee proposed by the Board.

DIRECTORS NOMINATED THIS YEAR

Term Expiring in 2008 (Class A Directors)

Adelmo E. Archuleta

PNM Resources Director since July 15, 2003

Mr. Archuleta, age 54, is a resident of Albuquerque, New Mexico, and holds a master's degree in Civil Engineering from New Mexico State University (NMSU). He joined Molzen-Corbin & Associates, a New Mexico consulting engineering and architecture firm in 1975, and has led the firm as its President and Chief Executive Officer since 1982. Other directorships include: the Bank of Albuquerque and Presbyterian Health Services. Mr. Archuleta currently serves on the Audit and Ethics Committee, and the Human Resources and Compensation Committee.

Julie A. Dobson

PNM Resources Director since July 16, 2002

Ms. Dobson, age 48, is a resident of Potomac, Maryland, and was Chief Operating Officer and one of the founding principals of TeleCorp PCS, a wireless/mobile phone company serving more than a million customers when sold to AT&T Wireless. A 1978 William & Mary graduate, she earned an MBA in Finance at the University of Pittsburgh the following year before beginning a long career in what became Verizon, starting in sales with Bell of Pennsylvania, and concluding as president of one of the company's non-regulated businesses, Bell Atlantic Mobile (New York). Other directorships include: Safeguard Scientifics, Inc., Wayne, PA; INA Trust, Philadelphia, PA; and LCCI, McLean, VA. Ms. Dobson currently serves as Chair of the Audit and Ethics Committee, and is a member of the Finance Committee. The Board of Directors has determined that Ms. Dobson qualifies as an audit committee financial expert as defined by the SEC regulations.

Charles E. McMahan

Mr. McMahan, age 65, is a resident of Schulenburg, Texas, and retired as an officer of Compass Bank and Compass Bancshares in December 31, 2003. A graduate from the University of Houston, he earned a Bachelor of Business Administration degree in Accounting. He is the recipient of the Distinguished Alumnus Award from the University of Houston and in 2002 was awarded an Honorary Doctorate Degree. Other directorships include: Compass Bancshares, Inc.

The Board of Directors unanimously recommends a vote FOR each director nominee.

DIRECTORS CONTINUING IN OFFICE

Terms Expiring in 2007 (Class C Directors)

Bonnie S. Reitz

PNM Resources Director since July 16, 2002

Ms. Reitz, age 52, is a resident of St. Petersburg, Florida, and is the owner/founder of InsideOutCulture to Customer, a business consulting company. Ms. Reitz retired in 2003, as Senior Vice President for Sales and Distribution of Continental Airlines. Ms. Reitz is a 1974 Purdue graduate and began her career in the airline industry in 1977. Other directorships include: the local and national organizations of Dress for Success. Ms. Reitz currently serves as Chair of the Human Resources and Compensation Committee, and is a member of the Governance and Public Policy Committee.

Jeffrey E. Sterba

PNM Resources/PNM Director since 2000

Mr. Sterba, age 50, is a resident of Albuquerque, New Mexico, and is Chairman, President and Chief Executive Officer of PNM Resources. Mr. Sterba continues to serve as Chairman, President and Chief Executive Officer of its wholly owned utility subsidiary, PNM. Mr. Sterba became President of PNM on March 6, 2000, became President and CEO of PNM on June 6, 2000, and was elected Chairman of the Board of PNM on October 1, 2000. Previously, Mr. Sterba served as Executive Vice President of USEC, Inc., from January 1999 to February 2000. Before joining USEC in January 1999, Mr. Sterba was Executive Vice President and Chief Operating Officer of PNM overseeing all of PNM's business units. During his previous years at PNM, Mr. Sterba held various executive positions and was responsible for bulk power services, corporate strategy and asset restructuring, retail electric and water services, and electric business development and finance. Other directorships include: Edison Electric Institute, Electric Power Research Institute, and the U. S. Chamber of Commerce. Mr. Sterba also serves on an advisory board for Wells Fargo Bank, N.A.

Joan B. Woodard

PNM Resources Director since July 15, 2003

Dr. Woodard, age 52, is a resident of Albuquerque, New Mexico, and is Executive Vice President and Deputy Director for Sandia National Laboratories in Albuquerque. She holds a doctorate degree in Mechanical Engineering from the University of California. She is responsible for the labs' programs, operations, staff, and facilities, and for developing policy and assuring implementation. She chairs the laboratory management councils for Mission and for Risk Management Oversight. Dr. Woodard currently serves

on the Governance and Public Policy Committee, the Finance Committee, and as the
presiding director of the independent directors meetings.

Terms Expiring in 2006 (Class B Directors)

Robert G. Armstrong

PNM Resources/PNM Director since 1991

Mr. Armstrong, age 58, is a resident of Roswell, New Mexico, and is the President of Armstrong Energy Corporation, an oil and gas exploration and production company in Roswell, New Mexico. Mr. Armstrong currently serves on the Audit and Ethics Committee, and the Governance and Public Policy Committee.

Manuel T. Pacheco, Ph.D.

PNM Resources/PNM Director since 2001

Dr. Pacheco, age 63, is a resident of Phoenix, Arizona, and retired in 2003 as the President of the University of Missouri System. From 1984 to 1997, he served as President of various universities, including the University of Arizona and the University of Houston. He holds a doctorate degree in Foreign Language Education. Dr. Pacheco currently serves as Chair of the Governance and Public Policy Committee, and is a member of the Human Resources and Compensation Committee.

Robert M. Price

PNM Resources/PNM Director since 1992

Mr. Price, age 74, is a resident of Edina, Minnesota, and has been President of PSV Inc., a technology consulting business located in Burnsville, MN, since 1990. Between 1961 and 1990, Mr. Price served in various executive positions, including Chairman and Chief Executive Officer of Control Data Corporation, a mainframe computer manufacturer and business services provider. Other directorships include: Affinity Technology Group, Inc. and Datalink Corporation. Mr. Price currently serves as Chair of the Finance Committee, and is a member of the Human Resources and Compensation Committee.

BOARD OF DIRECTORS

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The Board has affirmatively determined that all of the directors, except Jeffrey E. Sterba, are independent of PNM Resources and its management. Mr. Sterba is considered an inside director because of his employment as the senior executive. In addition to determining that all of the non-employee directors of PNM Resources satisfy all of the specific independence criteria set forth in the NYSE listing standards, the Board determined that there were no direct or indirect relationships between PNM Resources and each non-employee director (other than service on the Board or a Board committee).

The Chairman of the Board presides at all meetings of the shareholders and of the Board. In circumstances where the independent directors meet without the Chairman, the Board selects a presiding director. A presiding director is selected each year. The director selected is responsible for facilitating and chairing the independent directors' meetings scheduled for that year. The independent directors meet at least twice a year without management present, and will meet more often as the need arises.

Shareholders and other interested parties wishing to communicate directly with the presiding director or with the non-management directors as a group may do so by writing to Presiding Director, c/o Corporate Secretary, PNM Resources, Inc., Alvarado Square, MS-2822, Albuquerque New Mexico 87158.

In 2004, the full Board met seven times. The independent directors held two regularly scheduled meetings in 2004. Attendance in 2004 at full Board and committee meetings exceeded 96%.

Directors are encouraged to attend the Annual Meeting, and as stated in the Corporate Governance Principles (Appendix A), directors are responsible for attending all director meetings and for reviewing materials provided in advance of each meeting. Directors are expected to actively participate in Board and committee meetings. All Directors attended the 2004 Annual Meeting held on May 18, 2004.

COMMUNICATION WITH THE BOARD

Shareholders wishing to communicate with the Board, or with a specific director, may do so by writing to the Board, or to the particular director, and delivering the communication in person or mailing it to: Board of Directors, c/o Corporate Secretary, PNM Resources, Inc., Alvarado Square, MS-2822, Albuquerque New Mexico 87158. If the shareholder desires to communicate a concern directly with the Board without initial review by the Corporate Secretary, the concern should be submitted in writing, in a sealed envelope addressed to the Board, in care of the Corporate Secretary, with a notation indicating that it is to be opened only by the Board. The Corporate Secretary shall promptly forward the unopened envelope to the Board. From time to time, the Board may change the process for shareholder communications with the Board or its members. Please refer to the Company's website (www.pnm.com/governance) for any changes in this process.

DIRECTORS' SERVICE POLICY

On February 19, 2002, the Board adopted a revised Directors' Service Policy addressing various aspects of board service, retirement practices, terms of office and inside directors. The Directors' Service Policy can be found on page A-7 of the Corporate Governance Principles, (Appendix A) and on the Company's website at www.pnm.com/governance.

BOARD COMMITTEES AND THEIR FUNCTIONS

The Board has four standing committees: the Audit and Ethics Committee, the Finance Committee, the Governance and Public Policy Committee, and the Human Resources and Compensation Committee. A summary of the Committee responsibilities is included below.

Audit and Ethics Committee (Audit Committee)

Members*: Three independent, non-employee directors: Julie A. Dobson (Chair), Adelmo E. Archuleta, Robert G. Armstrong

Number of Meetings held in 2004: Eight

Functions: Oversees the integrity of the Company's financial statements, system of disclosure and internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established;
Compliance with legal and regulatory requirements by the Company;

Assesses and ensures the independent accountant's qualifications and independence;
Reviews and approves the performance of the Company's internal audit function and independent accountants; and
Approval of independent accountant services and fees for audit and non-audit services to be provided.

Charter: A copy of the Audit Committee Charter may be found in Appendix D to this proxy statement and can also be found at www.pnm.com/governance.

Evaluation: The Audit Committee conducted an evaluation of its performance in 2004.

Financial Experts: The Board has unanimously determined that all Audit Committee members are financially literate under current NYSE listing standards, and in addition, Ms. Julie A. Dobson and Dr. R. Martin Chavez* qualify as audit committee financial experts within the meaning of SEC regulations.

The Audit Committee Charter prohibits any committee member from serving on the audit committees of more than two other publicly traded companies.

*R. Martin Chavez served on the Audit Committee throughout 2004 and until his resignation from the Board on March 14, 2005.

Finance Committee

Members*: Three independent, non-employee directors: Robert M. Price (Chair), Julie A. Dobson, Joan B. Woodard

Number of Meetings held in 2004: Six

Functions: Reviews financial policies and performance objectives, including dividend policy.
Reviews and recommends to the Board of Directors the Company's capital structure, including debt issuances.
Oversees the Company's pension fund governance, performance, and funding level.

Charter: A copy of the Finance Committee Charter may be found in Appendix E to this proxy statement and can also be found at www.pnm.com/governance.

Evaluation: The Finance Committee conducted an evaluation of its performance in 2004.

*R. Martin Chavez was Chair throughout 2004, resigned from the Finance Committee effective January 1, 2005, and subsequently resigned from the Board on March 14, 2005.

Governance and Public Policy Committee (GPPC)

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Members:	Four independent, non-employee directors: Manuel T. Pacheco (Chair), Robert G. Armstrong, Bonnie S. Reitz, Joan B. Woodard
Number of Meetings held in 2004:	Four
Functions:	<p>Recommends candidates for election to the Board.</p> <p>Develops policy on composition, size of the Board as well as tenure and retirement of directors.</p> <p>Recommends Board compensation levels and stock ownership guidelines.</p> <p>Recommends to the Board a set of corporate governance principles applicable to the Company.</p> <p>Oversees the evaluation of the Board.</p>

Oversees the Company's public responsibilities and corporate citizenship.

Charter: A copy of the GPPC Charter may be found in Appendix F to this proxy statement and can also be found at www.pnm.com/governance.

Evaluation: The GPPC conducted an evaluation of its performance in 2004.

The GPPC will consider director candidates proposed by shareholders. Candidates must be highly qualified and exhibit both willingness and interest in serving on the Board. Candidates should represent the interests of all shareholders and not those of a special interest group. A shareholder wishing to nominate a candidate should forward the candidate's name and a detailed background of the candidate's qualifications, appropriate biographical information and signed consent to serve to the Secretary of the Company, taking into consideration the criteria for new directors:

directors should be an individual of the highest character and integrity and have an inquiring mind, vision and the ability to work well with others and exercise good judgment;

directors should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;

directors should possess substantial and significant experience which would be of particular importance to the Company in the performance of the duties of a director;

directors should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director;

directors should have the capacity and desire to represent the balanced, best interests of the shareholders as a whole and not primarily a special interest group or constituency; and

directors should have an equity ownership interest in the Company prior to commencing service on the Board. Each director's ownership interest should increase over time, consistent with applicable trading guidelines, so that an appropriate amount of stock is accumulated.

General Board attributes and director qualifications can also be found on page A-3 of the Corporate Governance Principles (Appendix A).

R. Martin Chavez resigned from the Board on March 14, 2005. Bracewell & Patterson L.L.P. recommended Charles E. McMahan for Board consideration. The Governance & Public Policy Committee interviewed Mr. McMahan and subsequently approved his nomination for recommendation to the full Board. On February 16, 2005, the Board approved his nomination for election to the Board of Directors of PNM Resources, Inc. at the Annual Meeting. No third party fees were paid in 2004 for identifying Board candidates.

Human Resources and Compensation Committee (HRCC)

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Members:	Four independent, non-employee directors: Robert M. Price (Chair), Adelmo E. Archuleta, Manuel T. Pacheco, Bonnie S. Reitz
Number of Meetings held in 2004:	Four
Functions:	Reviews executive compensation policies of the Company. Determines compensation policy for executives. Oversees the performance evaluation process of the CEO. Reviews and approves corporate goals and objectives relevant to CEO compensation. Determines and recommends for approval by the independent directors of the Board the CEO's compensation level based on this evaluation.
Charter:	A copy of the HRCC Charter may be found in Appendix G to this proxy statement, and can also be found at www.pnm.com/governance .
Evaluation:	The HRCC conducted an evaluation of its performance in 2004.

PNM Resources Common Stock Owned by Executive Officers and Directors

(As of March 18, 2005)

Name	Amount and Nature of Shares Beneficially Owned(a)		
	Aggregate No. of Shares Held (b)	Right to Acquire within 60 Days (c)	Percent of Shares Beneficially Owned
Adelmo E. Archuleta	772	15,000	*
Robert G. Armstrong	7,146	40,386	*
R. Martin Chavez (d)	2,195	22,500	*
Alice A. Cobb	12,125	24,548	*
Julie A. Dobson	5,000	18,250	*
John R. Loyack	12,343	18,188	*
Patrick T. Ortiz	22,532	101,829	*
Manuel T. Pacheco	673	22,500	*
Robert M. Price	3,000	31,500	*
William J. Real	17,646	31,550	*
Bonnie S. Reitz	2,250	21,000	*
Jeffrey E. Sterba	67,952	474,293	*
Joan B. Woodard	1,550	15,000	*
Directors and Executive Officers as a Group (15)	176,525	988,950	1.93%

(a) Beneficial ownership means the sole or shared power to vote, or to direct the voting of a security and/or investment power with respect to a security.

(b) Shares held in the individual's name, individually or jointly with others, or in the name of a bank, broker, or nominee for the individual's account.

(c) The number of shares directors and executive officers have a right to acquire through stock option exercises within 60 days after March 18, 2005, and number of shares that executive officers have a right to acquire through the Executive Savings Plan and the Executive Savings Plan II upon the participant's death or termination of employment. As of March 18, 2005, the Executive Savings Plan share rights consist of 5,889 and the Executive Savings Plan II share rights consist of 1,706 of the 474,293 shares reported for Jeffrey E. Sterba, and an additional 3,419 shares of the 988,950 shares reported for directors and executive officers as a group.

(d) R. Martin Chavez resigned from the Board on March 14, 2005.

*Less than 1% of PNM Resources outstanding shares of common stock.

Ownership of More than Five Percent of PNM Resources Common Stock

Name and Address	Voting Authority		Dispositive Authority		Total Amount	Percent of Class
	Sole	Shared	Sole	Shared		
Cascade Investment, L.L.C. (1) 2365 Carillon Point Kirkland, WA 98033	5,541,150	0	5,541,150	0	5,541,150	9.2%
Barclays Global Investors, NA.,(2) Murray House 1 Royal Mint Court London, England EC3 NHH	4,389,673	0	4,389,673	0	4,389,673	7.27%
Earnest Partners LLC (3) 75 Fourteenth St. Suite 2300 Atlanta, GA 30309	2,186,282	974,215	3,860,047	0	3,860,047	6.4%

(1) As reported on Schedule 13G dated February 14, 2005, filed with the SEC by Cascade Investment, L.L.C. (Cascade). The filing reported that all shares held by Cascade may be deemed to be beneficially owned by William H. Gates III as the sole member of Cascade.

(2) As reported on Schedule 13G dated February 14, 2005, filed with the SEC by Barclays Global Investors, N.A. and Barclays Global Fund Advisors. The filing reported that the shares reported are held in trust accounts for the economic benefit of the beneficiaries of those accounts. This filing also reported that Barclays Global Investors, N.A. beneficially owned 2,917,570 shares with sole voting and 3,286,216 shares with sole dispositive power; Barclays Global Fund Advisors beneficially owned 1,103,457 shares with sole voting and dispositive power.

(3) As reported on Schedule 13G dated February 14, 2005, filed with the SEC by Earnest Partners LLC and its affiliates.

The information provided above is based on reports filed with the SEC. PNM Resources makes no representation as to the accuracy or completeness of the information. These are the only persons known to PNM Resources to be the beneficial owners of more than five percent of PNM Resources common stock, as of March 28, 2005.

DIRECTOR COMPENSATION

Of PNM Resources current directors, only Mr. Sterba is a salaried employee and receives no compensation for serving on the Board. Directors who are not salaried employees of PNM Resources receive compensation for Board service. Under PNM Resources Director Retainer Plan, non-employee directors receive their annual retainer in the form of cash and stock options as determined by the Board. Since 2002, the following director compensation has been paid:

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Annual Retainer: \$	25,000,	5,000 stock options
Attendance Fees: \$	1,000 750 600	per Board meeting for each Board Committee meeting for each teleconference meeting (less than one hour in duration; regular attendance fees for meetings over one hour in duration)
Committee Chairs: \$	300	per Board committee meeting (in addition to attendance fees)

The Director Retainer Plan will expire on July 1, 2005. Proposal 4 seeks to replace the Director Retainer Plan with the Amended and Restated Omnibus Performance Equity Plan (PEP) by permitting non-employee directors to be eligible for awards under the PEP. Upon approval of Proposal 4, director compensation will include the following stock options and restricted stock units issued under the PEP. In the event that Proposal 4 does not receive shareholder approval, the Board will reconsider the overall structure of the 2005 retainer as previously approved by the Board on February 15, 2005:

Annual Retainer:	\$	35,000, 1,050 stock options*, 1,050 restricted stock rights*
Annual Committee Chair Fee:	\$	4,000 (in addition to meeting attendance fees)
Attendance Fees:	\$	0 per Board meeting
	\$	1,250 per Board Committee meeting

*The options and restricted stock rights will vest in three equal annual installments beginning on the first anniversary of the grant. The exercise price of the stock option is equal to the fair market value of the common stock on the date of grant. Fair market value is determined by the closing price of the NYSE on the date of the grant.

Directors are also reimbursed for any Board-related expenses.

The GPPC is responsible for recommending Board compensation levels and stock ownership guidelines.

PERFORMANCE GRAPH

The following graph assumes that \$100 was invested on December 31, 1999, in PNM* Common Stock, the S&P 500 Stock Index, and the S&P Mid-Cap Utilities Index, and that all dividends were reinvested. Historical performance does not necessarily predict future results. PNM Resources common stock is traded on the NYSE. On May 18, 2004, the Company's Board approved a 3-for-2 stock split that took place on June 11, 2004 for shareholders of record on June 1, 2004.

Fiscal Year Ended December 31,	1999	2000	2001	2002	2003	2004
PNM Resources*	100	172	185	163	200	278
S & P 500 Index	100	91	80	62	80	89
S & P Midcap Utilities Index	100	156	141	125	158	188

*\$100 invested on December 31, 1999 in stock or index including reinvestment of dividends; fiscal year ending December 31. The graph and table track the performance of PNM common stock through 2001, and following the mandatory share exchange on December 31, 2001, whereby PNM Resources became the publicly traded parent of PNM, thereafter reflect the performance of PNM Resources common stock.

The S&P Mid-Cap Utilities Index include the following companies: Alliant Energy Corporation, Atlanta Gas Light, Aqua America, Inc., Black Hills Corporation, DPL, Inc., Duquesne Light Holdings, Inc., Energy East, Equitable Resources Inc., Great Plains Energy, Inc., Hawaiian Electric Industries, Idacorp, Inc., MDU Resources Group Inc., National Fuel Gas Company, Northeast Utilities, Nstar.com Inc., OGE Energy Corporation, Oneok Inc., Pepco Holdings, Inc., PNM Resources, Inc., Puget Energy Inc., Questar Corporation, Scana Corporation, Vectren, Westar Energy Inc., WGL Holdings Inc., Wisconsin Energy Corporation, WPS Resources Corporation, Aquila Inc., Sierra Pacific Resources Inc.

AUDIT AND ETHICS COMMITTEE REPORT

The following Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference therein.

The Committee. The Audit Committee of the Board of Directors consists of four non-employee, independent directors: Adelmo E. Archuleta, Robert G. Armstrong, Julie A. Dobson, and R. Martin Chavez. Ms. Dobson chaired the Audit Committee through 2004. Each member of the Audit Committee is an independent director as defined by the current NYSE listing standards. In addition, the Board has unanimously determined that all Audit Committee members are financially literate under current NYSE listing standards and that Ms. Dobson and Dr. Chavez, members of the Audit Committee, qualify as audit committee financial experts within the meaning of the SEC regulations. The Audit Committee's responsibilities are specifically noted below in the Audit Committee Charter section. No members of the Audit Committee received any compensation from the Company during the last fiscal year other than compensation for service on the Board or a Board committee.

Audit Committee Charter. The Audit Committee Charter, revised December 2003, in Appendix D to this proxy statement, sets forth the Audit Committee's principal accountabilities, including monitoring:

The integrity of the Company's financial statements, system of disclosure and internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established;

Compliance with legal and regulatory requirements by the Company;

The independent accountant's qualifications and independence;

The performance of the Company's internal audit function and independent accountants; and

Approval of independent accountant services and fees for audit and non-audit services to be provided.

The Charter also may be found on the Company's website located at www.pnm.com/governance.

Audit Committee Report. The Audit Committee Report is included in this proxy statement to comply with Item 306 of the SEC Regulation S-K governing disclosures related to Audit Committee members and auditor services. The Audit Committee has prepared the following report for inclusion in this proxy statement. The Audit Committee met eight times during 2004. The Audit Committee schedules its meetings to ensure appropriate time is provided to complete the required tasks. The Audit Committee's meetings include, whenever appropriate, executive sessions with the Company's independent registered public accountants and with the Company's internal auditors, in each case without

the presence of the Company's management.

The Board, upon recommendation of the Audit Committee, engaged Deloitte & Touche LLP (Deloitte & Touche) to serve as independent public accountants for fiscal year 2004, subject to shareholder approval. No relationship exists between PNM Resources and Deloitte & Touche, other than the usual relationship between independent public accountant and client.

In 1992, the Board adopted an Independent Accountant Evaluation and Selection Policy (Policy). The Policy was adopted because the Board considers it desirable to periodically change independent accountants in a manner that maintains the appearance and reality of independence and to obtain new perspectives, but not so frequently as to be disruptive or hinder the development of company and operational in-depth knowledge. According to that Policy, each year the Audit Committee evaluates the quality and cost of services provided by the independent accountants. A major review is conducted every five years that includes a request for proposal unless extraordinary circumstances exist. After fifteen years of continued service, PNM Resources will consider changing independent accountants.

The Audit Committee has adopted a policy governing audit, audit-related and non-audit fees and services in compliance with the Sarbanes-Oxley Act. This policy requires pre-approval by the Audit

Committee of all services to be provided by the independent accountants and allows use of a budget pre-approved by the Audit Committee for identified services. This policy delegates to the Audit Committee chair authority to pre-approve services not covered by the budget between Audit Committee meetings with reports to be made at the following Audit Committee meeting. This policy also identifies services that the independent accountants are prohibited from performing, consistent with legal requirements. A copy of this policy is available at www.pnm.com/governance.

The Audit Committee has adopted a process to handle complaints in compliance with the Sarbanes-Oxley Act. This process includes procedures for the submission of complaints or concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters and other matters involving violations of law. A copy of these procedures is available at www.pnm.com/governance.

Management is responsible for PNM Resources' internal controls and financial reporting process. The independent accountants are responsible for performing an independent audit of PNM Resources' consolidated financial statements in accordance with generally accepted auditing standards and to issue a report. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee continues to monitor the performance of the Company's internal auditing function, reviewing staffing levels and steps taken to implement recommended improvements in internal controls and procedures.

In this context, the Audit Committee has met and held discussions with management and the independent accountants. The Audit Committee reviews and discusses with both management and the Company's independent accountant all consolidated annual and quarterly financial statements prior to their issuance. During 2004, management represented to the Audit Committee that all PNM Resources' consolidated financial statements presented to the Audit Committee were prepared in accordance with generally accepted accounting principles and fairly represent the Company's financial position. Management reviewed significant accounting and disclosure issues with the Audit Committee. The Audit Committee discussed with the independent accountants, matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees) including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The independent accountants also provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee also discussed with the independent accountants the firm's independence, including a review of audit and non-audit fees.

Based on the Audit Committee's discussions with management and the independent accountants, and the Audit Committee's review of the representations of management, and the report of the independent accountants to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in PNM Resources' Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC.

Respectfully Submitted,

Audit and Ethics Committee

Julie A. Dobson, Chair

Adelmo E. Archuleta

Robert G. Armstrong

R. Martin Chavez*

*R. Martin Chavez served on the Audit Committee throughout 2004 and until his resignation from the Board on March 14, 2005.

INDEPENDENT AUDITOR FEES

Audit Fees for 2004

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The following table represents aggregate fees billed to the Company for fiscal year ended December 31, 2004 and 2003 by Deloitte & Touche LLP, the Company's principal accounting firm.

	Fiscal Year Ended (in thousands)			
		2004		2003
Audit Fees	\$	1,554	\$	988
Audit-related Fees (a)	\$	181	\$	145
Tax Fees (b)	\$	2,006	\$	660
All Other Fees				
Total Fees (c)	\$	3,741	\$	1,793

(a) Primarily financial accounting and reporting consultations.

(b) Tax fees in 2004 represent a settlement of the 2000 engagement, a contingent fee arrangement related to tax planning opportunities and compliance issues, tax planning related to 2004 property tax issues and assistance in setting up procedures to comply with new reportable transactions regulations.

(c) All fees have been approved by the Audit Committee.

The Audit Committee reviewed and approved in advance all audit related and tax services and concluded that the provision of these services by Deloitte & Touche LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee preapproves all auditing services and all permitted non-audit services. The Audit Committee also determined that, beginning March 31, 2002, the auditor of PNM Resources' books and records would not be eligible to provide consulting services for PNM Resources without prior approval of the Audit Committee. Deloitte & Touche will not be allowed to provide any services prohibited by law. Prior year audit and audit-related fees have been reclassified to conform to current year presentation.

PROPOSAL 2: APPROVAL OF INDEPENDENT PUBLIC ACCOUNTANTS (PROPOSAL 2 ON YOUR PROXY CARD)

The Board of Directors is recommending that the shareholders approve the selection of Deloitte & Touche as independent public accountants for 2005.

The Audit Committee has performed its annual evaluation of the quality and cost of services provided by Deloitte & Touche and an assessment of auditor independence. The Committee reported to the Board complete satisfaction with the services provided by Deloitte & Touche and recommended that Deloitte & Touche be selected as independent public accountants for 2005. The Board agrees with the Audit Committee's recommendations, as described in the Audit Committee report contained in this proxy statement.

A representative of Deloitte & Touche will be available at the Annual Meeting to respond to questions and to make any statement the representative may desire.

The Board of Directors unanimously recommends a vote FOR the appointment of Deloitte & Touche LLP as independent public accountants for fiscal year 2005.

PROPOSAL 3: APPROVAL OF AN AMENDMENT TO THE RESTATED ARTICLES OF INCORPORATION OF PNM RESOURCES, INC. (PROPOSAL 3 ON YOUR PROXY CARD)

The Board of Directors is asking shareholders to approve an amendment to the Restated Articles of Incorporation of PNM Resources (Articles) to authorize the granting of additional voting rights to holders of any series of preferred stock that is convertible into common stock, subject to a cap on the amount of preferred stock that may be outstanding at any one time with the additional new voting rights.

Existing Voting Rights of Preferred Stockholders

PNM Resources is authorized to issue up to 10 million shares of preferred stock, no par value. No shares of preferred stock have been issued to date. Currently, the voting rights of holders of a series of preferred stock are limited to circumstances when the Company fails to pay dividends on the applicable series and when a proposed amendment to the Articles would have an adverse impact on the rights and privileges of the preferred stockholders. In contrast, holders of common stock are entitled to one vote per share of common stock on each matter submitted to a vote of holders of common stock at a meeting of shareholders.

Proposed New Voting Rights

The proposed amendment would permit the Board of Directors to confer the following additional voting rights (New Voting Rights) upon the holders of a series of preferred stock that is convertible into common stock (Convertible Preferred Stock):

- (a) vote as a single class with holders of common stock on all matters submitted to a vote of holders of common stock at a meeting of shareholders other than for the election of directors, with

- (b) the same number of votes as the number of shares of common stock into which their shares of Convertible Preferred Stock are convertible.

The proposed amendment provides, however, that the New Voting Rights may only be conferred to the extent that the aggregate amount of preferred stock outstanding with such voting rights is convertible to no more than twelve million shares of common stock (i.e., 10% of the authorized 120 million shares of common stock, of which there are 60,464,595 shares of common stock issued and outstanding, as of March 28, 2005). Thus, as an example, if there were four million shares of a series of Convertible Preferred Stock outstanding with the New Voting Rights that were convertible into twelve million shares of common stock, then no New Voting Rights could at that time be conferred on a new issuance of Convertible Preferred Stock.

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The proposed New Voting Rights grant the holders of such Convertible Preferred Stock almost the same voting rights as holders of common stock before the convertible preferred stockholders exercise their conversion rights. Thus, the issuance of Convertible Preferred Stock with the New Voting Rights would dilute the voting power of the common stock. However, the voting rights being granted are within the amount currently authorized for the issuance of additional common stock. Thus, the dilution that would occur is not greater than the potential dilution that already exists if we were to issue additional common stock or if preferred stockholders with conversion rights converted to common stock. The main effect is that the dilution occurs before the preferred stockholders exercise their conversion rights.

In addition, the New Voting Rights are limited in another important way. The New Voting Rights do not include the right to vote on the election of directors.

Reasons for the Proposed Amendment

The proposed amendment relates primarily to the previously announced agreement to issue and sell \$100 million of equity-linked securities to Cascade Investments, L.L.C. (Cascade) in connection with the closing of our acquisition of TNP Enterprises, Inc. (TNPE). Cascade is currently a significant

shareholder of PNM Resources, owning more than 5% of our shares of common stock. (See table on page 12). As part of this transaction with Cascade, we are authorized to issue a series of our Convertible Preferred Stock, Series A (not to exceed 477,800 shares convertible into 4,778,000 shares of common stock), which will contain the New Voting Rights if the shareholders approve the proposed amendment to the Articles. Neither the TNPE acquisition nor the transaction with Cascade is contingent upon receipt of shareholder approval of the proposed New Voting Rights. The proposed New Voting Rights would allow Cascade to keep its ownership level of common stock of PNM Resources below 10%, which it may wish to do for regulatory reasons, while granting it the New Voting Rights as holder of this new series of convertible preferred stock. We have issued a press release describing the Cascade transaction and have filed the press release and the governing documents in Current Reports on Form 8-K filed on August 16, 2004 and August 19, 2004, respectively.

Recommendation of the Board

We believe that the adoption of the proposed amendment to the Articles is in the best interests of PNM Resources because it grants us additional flexibility to raise equity capital on favorable terms without unduly diluting the voting power of common stock. Accordingly, the Board of Directors recommends that the shareholders approve amending Paragraph C(7) of Article IV of the Company's Restated Articles of Amendment as follows (proposed changes are black lined):

C. Preferred Stock. The Board of Directors is authorized by resolution to provide from time to time for the issuance of shares of Preferred Stock in series and to fix, from time to time before issuance, the designation, preferences, privileges and voting powers of the shares of each series of Preferred Stock and its restrictions or qualifications, limited to the following:

* * *

(7) the voting rights, if any, for the shares of each series, limited to circumstances when:

(a) the Corporation fails to pay dividends on the applicable series; and

(b) a proposed amendment to these Articles would have an adverse impact on the rights and privileges of the preferred stockholders; and

(c) a series of Preferred Stock is convertible into Common Stock, in which case the Board of Directors may confer upon the holders of such Preferred Stock, voting as a single class with holders of Common Stock, the same number of votes to which the number of shares of Common Stock into which the shares of Preferred Stock are convertible are entitled on all matters submitted to a vote of holders of Common Stock at a meeting of shareholders other than for the election of directors; provided, however, that the Board may confer the voting rights described in this clause (c) only to the extent that the aggregate amount of Preferred Stock outstanding with such voting rights is convertible to no more than Twelve (12) Million shares of Common Stock.

A quorum and the affirmative vote of the holders of a majority of the shares of common stock entitled to vote at the Annual Meeting are required to approve the amendment to the Articles. Abstentions will have the effect of a vote against this matter while broker non-votes will not be

counted in calculating voting results on this matter.

The Board of Directors recommends a vote FOR this proposal to amend the Restated Articles of Incorporation of PNM Resources, Inc.

PROPOSAL 4: APPROVAL OF AMENDED AND RESTATED OMNIBUS PERFORMANCE EQUITY PLAN (PEP)
(PROPOSAL 4 ON YOUR PROXY CARD)

The PNM Resources, Inc. Board of Directors previously adopted and the Company's shareholders approved the PNM Resources, Inc. Omnibus Performance Equity Plan (Original Plan). The Company also sponsors the PNM Resources, Inc. Director Retainer Plan (Director Plan), which provides an opportunity for nonemployee Board members to receive PNM Resources stock. The Director Plan is scheduled to expire in 2005 and grants may no longer be made to directors under the Director Plan. Although the Board considered adopting a new equity based compensation plan covering Board members, it decided that amending the Original Plan to include Board members was the better alternative.

On December 7, 2004, the Board adopted the PNM Resources, Inc. Amended and Restated Omnibus Performance Equity Plan (PEP), subject to shareholder approval. The PEP amends the Original Plan:

to increase the number of shares authorized for Awards under the PEP by 4,500,000 shares from 3,750,000 (adjusted for the 3 for 2 stock split effective June 11, 2004) to 8,250,000;

to permit nonemployee Board members to participate in the PEP;

to extend the term of the plan from December 2010 until December 31, 2015; and

to make changes to facilitate compliance with Section 409A of the Internal Revenue Code of 1986, as amended. Accordingly, certain key employees may be granted Non-Qualified Stock Options, Incentive Stock Options, Restricted Stock Rights, Performance Shares, Performance Units and Stock Appreciation Rights under the PEP as described below. In addition, nonemployee Board members may be granted Non-Qualified Stock Options, Restricted Stock Rights, Performance Shares, Performance Units and Stock Appreciation Rights under the Plan as described below. We currently anticipate that nonemployee Board members will receive Restricted Stock Rights and Non-Qualified Stock Options.

While it puts more pay at risk, ownership of stock assists in the attraction and retention of eligible employees and nonemployee Board members and provides them with additional incentives to devote their best efforts to pursue and sustain PNM Resources' financial success as well as to perform in the best interest of shareholders, customers and employees.

Summary of Plan Features

General. The PEP contemplates that from time to time, grants of stock-related awards of four general types will be made to selected eligible employees and nonemployee Board members: (1) options to purchase shares of PNM Resources common stock (Options); (2) rights to receive, upon exercise, the appreciation of the fair market value of shares of PNM Resources common stock (Stock Appreciation Rights or SARs); (3) outright grants of shares of PNM Resources common stock, subject to transfer restrictions and risk of forfeiture for a specified restriction period (Restricted Stock Rights); and (4) rights to receive (a) shares of PNM Resources common stock (Performance Shares) or (b) a specified dollar amount or, in lieu of all or any portion of such amount, shares of PNM common stock having the same fair market value (Performance Units), both conditional upon the attainment during a specified performance period of specified performance measures. Options meeting the requirements of Section 422 of the Code and intended to be afforded the federal income tax treatment of Section 422 options (Incentive Stock Options), as well as other Options (Nonqualified Stock Options or NQSOs), may be awarded to employees under the PEP. NQSOs may be awarded to nonemployee Board members.

SARs granted under the PEP may be awarded either in tandem with Options (Tandem SARs) or standing alone (Freestanding SARs).

The full text of the PEP is attached to this proxy statement/prospectus as Appendix C. Changes from the Original Plan are summarized below. The discussion which follows provides additional information concerning the PEP features highlighted above, as well as certain other noteworthy features. Since such discussion necessarily is in the nature of a summary and does not cover all aspects of the PEP, shareholders should review Appendix C in its entirety as they consider whether to approve the PEP.

Shares Available for Award. The total number of shares of common stock subject to awards under the PEP may not exceed eight million two hundred fifty thousand (8,250,000), subject to adjustment upon the occurrence of any of the events specified in the PEP. PNM Resources has made a commitment to the Company's shareholders that no more than an average of 2% of PNM Resources' total outstanding shares, before any cancellations and forfeitures, will be awarded under the PEP for the next three fiscal years (2005, 2006 and 2007). For purposes of the average calculation (i) each option or SAR is considered one share and (ii) each award other than stock options or SAR is considered 4 shares. The shares of PNM Resources common stock to be delivered under the PEP may consist, in whole or in part, of authorized, but unissued, shares of PNM Resources common stock or shares purchased on the open market or, if it becomes allowable under New Mexico law, treasury stock not reserved for any other purpose. Subject to the express provisions of the PEP, if any award granted under the PEP terminates, expires, lapses for any reason, or is paid in cash, any common stock subject to or surrendered for such award will again be common stock available for the grant of an award. However, PNM Resources does not use liberal share counting. That is, shares derived from the following are not added back to the plan reserve: (i) tendered shares in payment of an option, (ii) withheld shares for taxes, (iii) shares that are repurchased by the Company using the options proceeds, and (iv) Stock Appreciation Rights settled in cash or stock where shares not needed to settle the award remain in reserve. With respect to awards made to insiders under Section 16 of the Exchange Act, shares of such stock may be reused to the maximum extent permitted under Section 16 of the Exchange Act. In addition, no participant may be granted an award for more than 500,000 shares of PNM Resources stock during any fiscal year.

Administration and Eligibility. The PEP will be administered by the Compensation and Human Resources Committee of the Board (Committee) or other such committee as designated by the Board. The membership of such committee shall not contain less than two (2) members of the Board and all Committee members must be non-employee directors. The Committee, by majority action thereof, is authorized to interpret the PEP, to prescribe, amend, and rescind rules and regulations relating to the PEP, to provide for conditions and assurances deemed necessary or advisable to protect the interests of PNM Resources, and to make all other determinations necessary or advisable for the administration of the PEP.

The Committee shall have the authority, in its sole discretion, to determine the types of awards, the times when awards will be granted, the number of awards, the purchase price or exercise price, the period(s) during which the awards shall be exercisable (whether in whole or in part), the restrictions applicable to such awards, and other terms and provisions (which need not be identical). The Committee will have the authority to modify existing awards, subject to specified provisions of the PEP. Awards may be made only to those individuals who are (i) employees of PNM Resources or a subsidiary that has adopted the PEP on the grant date of the award, or (ii) nonemployee Board members who are Board members on the grant date of the award.

Grant of Options. Subject to the provisions of the PEP, Options may be granted to participants at any time and from time to time as determined by the Committee. The Committee will have complete discretion in determining the number of Options granted as well as the type, size, and other terms and conditions of each granted award, subject to

the restrictions and limitations set forth in the PEP, including the requirement that the exercise price must be not less than fair market value as of the grant date. The Committee may make grants to employees under any or a combination of all of the various categories of awards that are authorized under the PEP. No Option may be exercised more than ten years from the date of grant. Upon exercise of any Option, payment must be made in full and may be either (1) in cash, (2) in stock valued at its fair market value on the date of exercise, or (3) by a combination thereof as determined by the Committee. The participant shall have none of the rights of a shareholder with respect to Options until the record date of the stock purchase.

Restricted Stock Rights. A grant of Restricted Stock Rights involves the grant of a right to acquire PNM Resources common stock in the future at no monetary cost to the participant. Shares of PNM Resources common stock are not issued until specified restrictions lapse, typically the achievement of specified performance targets or the continued employment of the participant until a specified date. Voting rights, dividend equivalents and other distributions, form and timing of payments are specified in the PEP.

Performance Shares and Performance Units. These award vehicles provide shares of PNM Resources common stock as rewards for achieving specific, long-term performance targets. Each Performance Share and each Performance Unit will have a value determined by the Committee at the time of grant. The Committee will also set forth performance goals it deems appropriate. For Performance Shares, a payment will be made in PNM Resources common stock. For Performance Units, payment will be made in cash, PNM Resources common stock or a combination thereof as determined by the Committee.

Stock Appreciation Rights. This award vehicle provides a payment equal to the appreciation in market value of the PNM Resources common stock and may be granted to participants at any time and from time to time as shall be determined by the Committee. SARs may be granted in connection with the grant of an Option, in which case the exercise of SARs will result in the surrender of the right to purchase the shares under the Option as to which the SARs were exercised. Alternatively, SARs may be granted independently of Options. Payment for SARs shall be made in PNM Resources stock and shall be exercisable at the time and be subject to such restrictions and conditions as the Committee approves.

Restrictions. The Committee may impose restrictions on any awards under the PEP as it may deem advisable, including restrictions under applicable federal securities law, under the requirements of any stock exchange upon which the PNM Resources common stock is then listed and under any blue sky or state securities law applicable to the awards.

Termination of Employment or Service. Dispositions of Awards when termination of employment or service occurs due to death, disability, retirement, or change in control are specified in the PEP.

Non-Transferability. The Committee may, in its sole discretion, determine the right of a participant to transfer any award granted under the PEP. Unless otherwise determined by the Committee, no award granted under the PEP may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder, or, if applicable, until the termination of any restricted or performance period as determined by the Committee.

Amendment, Modification and Termination of PEP. The PNM Resources, Inc. Board of Directors has discretion to terminate, amend or modify the PEP. Any such action of the PNM Resources, Inc. Board of Directors is subject to the approval of the PNM Resources, Inc. shareholders to the extent required by law or the rules of any exchange on which PNM stock is listed. To the extent permitted, the PNM Resources, Inc. Board of Directors may delegate to the Committee or the President the authority to approve non-substantive amendments to the PEP. PNM Resources will not reprice, or cancel and regrant stock options at a lower exercise price under any circumstances.

Tax Withholding. PNM Resources and its affiliates will have the power to withhold, or require a participant to remit to PNM Resources, an amount sufficient to satisfy federal, state, and local withholding tax requirements on any award under the PEP. To the extent that alternative methods of withholding are available under applicable laws, PNM Resources and its affiliates will have the power to choose among such methods.

Federal Income Tax Consequences of PEP

The following is a brief summary of certain of the Federal income tax consequences of certain transactions under the PEP based on Federal income tax laws in effect on January 1, 2005. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

Nonqualified Stock Options (NQSOS). In general: (i) no income will be recognized by an optionee at the time an NQSO is granted; (ii) at the time of exercise of an NQSO, ordinary income (subject to income tax withholding) will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares if they are nonrestricted on the date of exercise (see **Restricted Stock Rights** below for the tax consequences of receiving restricted shares on date of exercise); and (iii) at the time of sale of shares acquired pursuant to the exercise of an NQSO, any appreciation (or depreciation) in the value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held after exercise and prior to sale.

Incentive Stock Options. No income generally will be recognized by an employee optionee upon the grant or exercise of an Incentive Stock Option. The spread on an Incentive Stock Option at the time of exercise is, however, an item of tax preference that may result in the imposition of the alternative minimum tax. If common shares are issued to an optionee pursuant to the exercise of an Incentive Stock Option and the optionee holds the shares before selling them for at least two years after the date of grant and one year after exercise, then upon the sale of the shares any amount realized in excess of the option price will be taxed to the optionee as long-term capital gain and any loss sustained will be a long-term capital loss.

If shares acquired upon the exercise of an Incentive Stock Option are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to any excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares in a sale or exchange) over the option price paid for the shares. Any further gain (or loss) realized by the optionee generally will be taxed as short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Stock Appreciation Rights. No income will be recognized by a holder in connection with the grant of a Tandem SAR or a Freestanding SAR. When the SAR is exercised, the recipient normally will be required to include as taxable ordinary income (subject to income tax withholding) in the year of exercise an amount equal to the fair market value of any nonrestricted shares of PNM Resources stock received on the exercise.

Restricted Stock Rights. A recipient of Restricted Stock Rights generally will be subject to tax at ordinary income rates on the fair market value of the shares of Restricted Stock received (reduced by any amount paid by the recipient for such shares), which fair market value shall be determined at such time as the shares are no longer subject to a risk of forfeiture for purposes of Section 83 of the Code.

Performance Shares and Performance Units. No income generally will be recognized upon the grant of Performance Shares or Performance Units. Upon payment in respect of the earn-out of Performance Shares or Performance Units, the recipient generally will be required to include as taxable ordinary income (subject to income tax withholding) in the year of receipt an amount equal to the amount of cash received and the fair market value of any nonrestricted shares of PNM Resources stock received.

Special Rules Applicable to Officers. In limited circumstances where the sale of stock that is received as the result of a grant of an award could subject an officer to suit under Section 16(b) of the Exchange Act, the tax consequences to the officer may differ from the tax consequences described above. In these circumstances, unless a special election has been made, the principal difference usually will be to postpone valuation and taxation of the stock received so long as the sale of the stock received

could subject the officer or director to suit under Section 16(b) of the Exchange Act, but not longer than six months.

Tax Consequences to PNM Resources or its Subsidiaries. To the extent that an employee recognizes ordinary income in the circumstances described above, PNM Resources or the subsidiary for which the employee performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Code and is not subject to the \$1 million deduction limit for certain executive compensation under Section 162(m) of the Code.

Section 409A of the Code. Congress recently enacted Section 409A of the Code, which dramatically changes the tax rules for deferred compensation arrangements. Among other things, Section 409A expands the definition of deferred compensation arrangements to include, for example, below market option grants, certain SARs and Restricted Stock Units. Upon a violation of the rules under Section 409A, a participant must include in ordinary income all amounts considered deferred compensation, pay interest from the date of the deferral and pay an additional 20% tax. Because of the current lack of guidance from the Treasury Department it is not entirely clear how this new law will be applied to the various grants available under the PEP. As a result, PNM Resources is in the process of determining the impact of Section 409A on Awards granted under the PEP. PNM Resources, however, intends that Awards granted under the PEP will comply with the requirements of Section 409A and intends to administer and interpret the PEP in such a manner.

Your Board of Directors recommends a vote FOR this proposal to approve the PNM Resources, Inc. Amended and Restated Omnibus Performance Equity Plan.

HUMAN RESOURCES AND COMPENSATION COMMITTEE REPORT

The following Human Resources and Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference therein.

The Human Resources and Compensation Committee (the Committee) establishes compensation guidelines and targets based upon the performance of PNM Resources, its subsidiaries and business units, and individual executive officers. The Committee consists of four independent directors. The Committee's goal is to establish a compensation program that:

links the interests of management and shareholders;

aligns executive compensation with long-term PNM Resources performance; and

attracts and retains executives of high caliber and ability.

PNM Resources recently analyzed its compensation programs using competitive market data specific to the utilities and energy industry. The study consisted of a review of base salary, short-term incentives, long-term incentives, and total direct compensation. This study contributed to the determination of compensation as described below.

Base Salaries

Executive Officers. Each year, the Committee reviews base salaries of individual executive officers and their salary ranges. In 2004, base salaries were conservatively tied to the median base salaries of executives in comparable positions within the utilities and energy industry.

Chief Executive Officer. On April 10, 2004, Mr. Sterba's salary was increased by \$50,000 to \$690,000 based on the Committee's evaluation of his performance in the prior year.

Short-Term Incentive Compensation

Executive Officers and Chief Executive Officer. In 2004, executive officers, including Mr. Sterba, participated in a short-term incentive plan that included at risk cash compensation elements. The plan is designed to pay up to 20 percent of the maximum award opportunity on the achievement of individual, business unit, and company-wide goals. The balance of the award is based on corporate earnings per share (EPS). The EPS targets for the plan are approved by the Board on an annual basis. Awards for 2004 performance were paid in March 2005.

Long-Term Incentive Compensation

Executive Officers and Chief Executive Officer. Under the Omnibus Performance Equity Plan (PEP), the Company has considerable flexibility to structure compensation incentives for officers and employees by rewarding long-term growth and profitability incentives in the evolving competitive environment. The PEP allows for non-qualified stock options, incentive stock options, restricted stock rights, performance shares, performance units, and stock appreciation rights. The Committee believes that stock ownership provides additional incentives for eligible employees to devote their best efforts to the Company's financial success as well as to perform in the best interests of shareholders, customers, and employees.

Under the PEP, non-qualified stock options are granted to all executive officers on an annual basis. The PEP provides that the Committee, in its sole and absolute discretion, will declare the level of options to be granted.

Performance shares also may be awarded to all executive officers, including Mr. Sterba, through the Long-Term Performance Share Program, which is designed to provide added structure to grants made pursuant to the PEP. The Long-Term Performance Share Program includes at risk awards based on relative performance of Company Total Shareholder Return (TSR) compared to the Philadelphia Utility Index. The awards for 2004 Company performance were approved and awarded in February 2005. In 2004, the PNM Resources TSR outperformed the Philadelphia Utility Index by 21.0 percentage points.

Ongoing Committee Activities in 2004

In 2004, the Committee implemented a new approach to long-term incentive compensation for Company officers. Under the new approach, grants made to officers will fall under three award components: stock options, restricted stock rights (each awarded under the PEP), and Long-Term Performance Cash (awarded outside of the PEP). The award of Long-Term Performance Shares was eliminated. However, there are trailing awards with potential payouts through 2007.

The Long-Term Performance Share and Long-Term Performance Cash components link a portion of the officer's potential total compensation to the TSR of the Company. Officers may receive cash or performance share awards for three-year performance periods (or partial awards in the

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first two years of the program). These awards are based on attaining a TSR that outperforms the S&P Midcap 400 Utility Index over the performance period. A target is established for each officer, and the officer can realize zero percent to 200 percent of the target depending on the TSR performance.

The new long-term incentive approach continues to deliver competitive levels of incentive compensation, but with less dilutive impact and more retention power than the previous long-term incentive award structure.

The Committee will continue to review, monitor and evaluate PNM Resources' executive compensation programs both in the aggregate and in their component parts to assure that they effectively support Company strategy and achieve the Committee's goals.

Certain Tax Matters

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Tax Code), generally prohibits publicly held companies, such as PNM Resources, from deducting, for federal income tax purposes, annual compensation in excess of \$1 million paid to any of certain key executives, except to the extent compensation is based upon the attainment of performance goals set by the Committee pursuant to plans approved by the shareholders. To the extent possible, the Committee intends to structure the compensation of executive officers in a manner to permit the compensation paid to these individuals to be allowed as a deduction for federal income tax purposes. The Committee, however, may choose to provide compensation that is not deductible in order to incentivize, retain or to secure the services of key executives when it determines that it is in the best interests of the Company to do so.

Respectfully Submitted,

Human Resources and Compensation Committee

Robert M. Price, Chair

Adelmo E. Archuleta

Manuel T. Pacheco

Bonnie S. Reitz

EXECUTIVE COMPENSATION AS OF DECEMBER 31, 2004**Summary Compensation Table**

		Salary	Bonus	Other Annual Compensation	Restricted Stock Award(s)	Securities Underlying Options/ SARs	LTIP Payouts	All Other Compensation
	Year	(\$)	(\$)	(\$)	(\$)	(#)	(\$)	(\$)
J. E. Sterba	2004	687,885(a)	910,000(b)	(c)	445,849(d)	42,600	23,445	210,879(e)
Chairman, President & Chief	2003	596,731(a)	493,998(b)	(c)	0	100,000	14,663	53,156(e)
Executive Officer	2002	513,461	0	(c)	7,820(d)	100,000		75,931(e)
A. A. Cobb	2004	209,320	165,002(b)	(c)	56,268(d)	9,150	11,712	134,644(e)
Senior Vice President, People	2003	200,539	125,402(b)	(c)	0	19,000	7,323	24,590(e)
Services and Development	2002	195,943	0	(c)	1,955(d)	19,000		52,063(f)
J. R. Loyack	2004	229,000	165,002(b)	(c)	56,268(d)	9,150	11,712	58,321(e)
Senior Vice President, Chief Financial Officer	2003	218,809	125,402(b)	(c)	0	19,000	4,888	25,777(e)
	2002	156,464	0	(c)	782(d)	8,500		21,216(e)
P.T. Ortiz	2004	236,929	115,502(b)	(c)	56,268(d)	9,150	11,712	102,662(e)
Senior Vice President,	2003	226,938						