

Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

PUBLIC SERVICE CO OF NEW MEXICO  
Form 10-K/A  
May 04, 2001

=====

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

-----

FORM 10-K/A  
AMENDMENT NO. 2

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000      COMMISSION FILE NUMBER 1 - 6986

PUBLIC SERVICE COMPANY OF NEW MEXICO  
(Exact name of Registrant as specified in its charter)

NEW MEXICO      85-0019030  
(State or other jurisdiction of      (I.R.S. Employer  
incorporation or organization)      Identification No.)

ALVARADO SQUARE      87158  
ALBUQUERQUE, NEW MEXICO      (Zip Code)  
(Address of principal executive offices)

Registrant's telephone number, including area code: (505) 241-2700

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
Common Stock, \$5.00 Par Value	New York Stock Exchange

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

(TITLE OF CLASS)  
1965 SERIES, 4.58% CUMULATIVE PREFERRED STOCK  
(\$100 STATED VALUE AND WITHOUT SINKING FUND)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES X      NO

-----      -----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in any amendment to this Form 10-K/A. \_\_\_

The total number of shares of the Company's Common Stock outstanding as of January 31, 2001 was 39,117,799. On such date, the aggregate market value of the voting stock held by non-affiliates of the Company, as computed by reference to the New York Stock Exchange composite transaction closing price of \$24.70 per

## Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

share reported by The Wall Street Journal, was \$966,209,635.

### DOCUMENTS INCORPORATED BY REFERENCE

NONE.

This amendment is being filed to revise the table "Aggregated Option Exercises In 2000 And 2000 Year-End Option Values" on page E-5.

### PART III

#### ITEM 11. EXECUTIVE COMPENSATION

#### EXECUTIVE COMPENSATION

##### SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION				
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION (a)
J. E. Sterba Chairman, President and Chief Executive Officer	2000	\$317,114 (b)	\$241,200 (c)	--
	1999 (e)	--	--	--
	1998	256,849 (f)	117,161 (g)	--
B. F. Montoya Chairman and Chief Executive Officer	2000	\$377,881 (b)	\$150,000 (j)	--
	1999	415,376	100,000 (l)	--
	1998	389,423	25,000 (l)	--
R. J. Flynn Executive Vice President of Electric and Gas Services	2000	\$234,808	\$182,820 (c)	--
	1999	193,110	64,400 (g)	--
	1998	166,320	49,223 (g)	--
M. H. Maerki Senior Vice President and Chief Financial Officer	2000	\$217,393	\$111,452 (c)	--
	1999	188,732	55,200 (g)	--
	1998	190,432 (f)	49,927 (g)	--
P. T. Ortiz Senior Vice President, General Counsel and Secretary	2000	\$197,121	\$78,982 (c)	--
	1999	170,670	39,900 (g)	--
	1998	155,699	75,000 (m) 41,588 (g)	--
W. J. Real Executive Vice President of Power Production and Marketing	2000	\$219,233	\$182,820 (c)	--
	1999	173,139	45,600 (g)	--
	1998	145,335	18,685 (g)	--

Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

- (a) Amounts are less than the established reporting thresholds.
- (b) Salary for a partial year of service; Mr. Montoya retired October 13, 2000 and Mr. Sterba was hired March 1, 2000.
- (c) Bonus paid in 2001 for 2000 performance according to an Officer Incentive Plan that was created to replace executive officer participation in the broad-based employee annual incentive program, Results Pay. The officer plan ties a portion of officer compensation to company-wide earnings per share, positive corporate total shareholder return in excess of the Philadelphia Utility Index, and individual performance.
- (d) Relocation expense reimbursements plus amounts pursuant to a plan that provides executives with contribution benefits for earning more than IRS limits imposed for qualified plans.
- (e) Mr. Sterba was not employed by the Company during 1999.
- (f) Amounts include sales of accrued vacation hours during 1998 and also reflect increases in base salaries.

E-3

- (g) Incentives paid in 2000 and/or 1999 for prior year achievements under the broad-based employee annual incentive program, Results Pay. In addition, these amounts include any lump sum bonus granted for individual performance.
- (h) Due to Performance Stock Plan amendments approved in 1998 that changed the timing of the grants, no grants were awarded with a 1998 effective date.
- (i) Amounts are pursuant to a plan that provides executives with contribution benefits for earning more than IRS limits imposed for qualified plans.
- (j) Bonus paid in April 2001 for previous performance.
- (k) Taxable gifts, unused vacation and flexible holiday pay upon retirement, plus amounts pursuant to a plan that provides executives with contribution benefits for earning more than IRS limits imposed for qualified plans.
- (l) Bonus paid in February 2000 for 1999 performance. Bonus paid in June 1998 was for previous performance.
- (m) Bonus paid in March 2000 for previous performance.

-----  
 OPTION GRANTS IN 2000  
 -----

Under the Company's Performance Stock Plan ("PSP"), non-qualified stock option grants were awarded to all executive officers, including Mr. Sterba, as well as other key employees. Annual grants for 2000 were approved and awarded in February 2000. Due to the December 31, 2000 expiration of the PSP and a delay in the effective date of the Omnibus Performance Equity Plan, a final grant was approved under the PSP and awarded in December 2000.

OPTION GRANTS IN FISCAL YEAR (2000)

-----  
 Individual Grants(1)  
 -----

Number of Securities Underlying	Percent of Total Options Granted to	Exercise or
---------------------------------------	---	-------------

Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

NAME	Options Granted(#)	Employees in Fiscal Year	Base Price (\$/Share)	Expiration Date	
R. J. Flynn	30,000	1.4%	\$15.8125	02/07/2010	\$1
	35,000	1.7%	\$24.3125	12/10/2010	\$4
M. H. Maerki	20,000	1.0%	\$15.8125	02/07/2010	\$
	29,000	1.4%	\$24.3125	12/10/2010	\$3
B. F. Montoya (3)	100,000	4.8%	\$15.8125	02/07/2010	\$3
P. T. Ortiz	20,000	1.0%	\$15.8125	02/07/2010	\$
	27,000	1.3%	\$24.3125	12/10/2010	\$3
W. J. Real	30,000	1.4%	\$15.8125	02/07/2010	\$1
	37,000	1.8%	\$24.3125	12/10/2010	\$4
J. E. Sterba	100,000	4.8%	\$15.1250	03/06/2010	\$3
	100,000	4.8%	\$16.1875	06/06/2010	\$4
	125,000	6.0%	\$24.3125	12/10/2010	\$1,4

E-4

- (1) The options shown in this table were granted in 2000 under the Company's Third Restated and Amended Public Service Company of New Mexico Performance Stock Plan.
- (2) The grant date valuation was calculated using the Black-Scholes option pricing model:
  - a. Assuming stock price volatility of 27.799%, a risk-free rate of return of 6.636% and an annual dividend yield of 5.06%. The weighted average grant date option fair value is \$3.74.
  - b. Assuming stock price volatility of 58.168%, a risk-free rate of return of 5.36% and an annual dividend yield of 3.29%. The weighted average grant date option fair value is \$11.87.
  - c. Assuming stock price volatility of 29.393%, a risk-free rate of return of 6.409% and an annual dividend yield of 5.29%. The weighted average grant date option fair value is \$3.51.
  - d. Assuming stock price volatility of 33.948%, a risk-free rate of return of 6.12% and an annual dividend yield of 4.94%. The weighted average grant date option fair value is \$4.38.
- (3) Mr. Montoya retired from the Company effective October 13, 2000; however, he will continue to serve as a member of the Board of Directors.

Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

AGGREGATED OPTION EXERCISES IN 2000  
AND 2000 YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (d)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VAL IN-TH DEC
			EXERCISABLE	UNEXERCISABLE	
R. J. Flynn	-	-	19,733	81,000	\$111
M. H. Maerki	-	-	33,223	65,000	\$235
B. F. Montoya(b)	166,896 (c)	\$1,282,364 (c) -	165,902	-0-	\$1,584
P. T. Ortiz	-	-	68,672	63,000	\$736
W. J. Real	-	-	30,035	83,000	\$209
J. E. Sterba	-	-	-0-	325,000	

- (a) Value equals the year-end stock price (\$26.8125) minus the exercise price, times the number of shares underlying the option. "In-the-Money" means that the year-end stock price was greater than the exercise price of the option.
- (b) Mr. Montoya retired effective October 13, 2000.
- (c) Of these amounts 91,332 shares and \$760,989 in value were realized after Mr. Montoya's retirement date of October 13, 2000.
- (d) Value of shares exercised is the market value of the shares on the exercise date minus the exercise price.

RETIREMENT PLAN AND RELATED MATTERS

In December 1996, the Board of Directors approved changes to the Company defined benefit plan ("Retirement Plan") and implementation of matching and non-matching contributions to the 401(k) defined contribution plan effective January 1, 1998. The Company contributions to the 401(k) plan consist of a three percent non-matching contribution, and a 75 percent match on the first six percent contributed by the employee on a before-tax basis.

Through December 31, 1997, the Retirement Plan covered employees who had at least one year of service and had attained the age of 21. Vesting occurred after five years of service. Directors who were not employees did not

E-5

participate in the Retirement Plan. The Company made no contribution in 2000 to the Retirement Plan for plan year 1999, as the Retirement Plan was adequately funded and frozen effective December 31, 1997.

Salaries used in Retirement Plan benefit calculations were frozen as of December 31, 1997. Additional credited service can be accrued under the Retirement Plan up to a limit determined by age and years of service. The Company made contributions in 1998 to the Retirement Plan for plan year 1997 in the amount of \$185,000. The amount of any contribution with respect to any one person cannot be determined. The contribution amount is actuarially determined

Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

based upon the number of Plan participants, the participants' age, salary, and years of service.

The following table illustrates the annual benefits that would be provided under the Retirement Plan to employees who retire at the indicated compensation and year of service levels and who elect to receive the benefits, which are calculated on a straight-life annuity basis, over their remaining lives. Vesting of accrued benefits would also occur in the event of a change in control of the Company. Benefits shown are maximum annual benefits payable at age 65 to participants who retire at age 65. The table is based on the Retirement Plan. The amounts shown in the table are not subject to any deduction for Social Security benefits or other offset amounts.

PENSION PLAN TABLE

AVERAGE OF HIGHEST ANNUAL BASE SALARY FOR 3 CONSECUTIVE YEARS (a)	CREDITED YEARS OF SERVICE					
	5 (b)	10	15	20	25	30
\$100,000	\$10,000	\$20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000
\$150,000	15,000	30,000	45,000	60,000	75,000	90,000
\$200,000	20,000	40,000	60,000	80,000	100,000	120,000
\$250,000	25,000	50,000	75,000	100,000	125,000	150,000
\$300,000	30,000	60,000	90,000	120,000	150,000	180,000
\$350,000	35,000	70,000	105,000	140,000	175,000	210,000
\$400,000	40,000	80,000	120,000	160,000	200,000	240,000
\$450,000	45,000	90,000	135,000	180,000	225,000	270,000

- (a) For these purposes, compensation consists of base salaries and includes any amount voluntarily deferred under the Company's Master Employee Savings Plan. Generally, compensation for these purposes does not include bonuses, payments for accrued vacation, or overtime pay.
- (b) Although years of service begin accumulating from the date of employment, vesting occurs after five years of service.
- (c) The maximum number of years generally taken into account for purposes of calculating benefits under the non-contributory defined benefit plan. Under limited circumstances, an employee working beyond age 62 could earn an additional 3% retirement benefit.

Credited years of service, which can be used to calculate benefits as shown in the above table, have been accumulated by executive officers under the Retirement Plan, the Accelerated Management Performance Plan discussed below and the supplemental employee retirement arrangements discussed below. Credited years of service computed as of December 31, 2000, are as follows: Mr. Montoya, 11 years; Mr. Sterba, 23.9 years; Mr. Flynn, 6 years; Mr. Maerki, 28.5 years; Mr. Ortiz, 10.25 years; and Mr. Real, 22.33 years. The executive officers' remuneration that would be used to calculate benefits is determined by reference to the Retirement Plan and the

## Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

supplemental employee retirement arrangements discussed below. As of December 31, 2000, the remuneration used to calculate benefits was as follows: Mr. Montoya, \$373,336; Mr. Sterba, \$167,412; Mr. Flynn, \$161,163; Mr. Maerki, \$170,900; Mr. Ortiz, \$138,332; and Mr. Real, \$135,000. The remunerator used by the plan was frozen as of December 31, 1997.

Under Section 401(a)(17) of the Code there is a limitation on the amount of compensation that can be considered in determining retirement benefits under qualified retirement plans. In June 1998, the Board of Directors approved a plan to give executives with earnings in excess of the Code Section 401(a)(17) limitation (\$170,000 for 2000) an opportunity to more fully participate in the Company's 401(k) plan and enable them to receive the 3% company contribution and a 75 cent on the dollar match for the first 6% contributed by the employee for eligible earnings in excess of the compensation limitation. The plan also permits executives to contribute amounts in excess of the Code Section 402(g) limitations on elective deferrals. Nine executive officers participated in the executive savings plan in 2000.

In January 1981, the Board of Directors approved a non-qualified executive benefit program for a group of management employees. The Accelerated Management Performance Plan, or AMPP, was intended to attract, motivate and retain key management employees. Mr. Maerki and certain other key management employees are eligible to participate in one or more of the plans in the program. Under the program, as originally adopted, key management employees had the opportunity to earn additional credit for years of service toward retirement. The AMPP, as amended and restated, phased out the accumulation of additional credits by January 1, 1990. In addition, the amended and restated plan includes a provision that allows key management employees who have not attained the maximum credits for years of service to receive a reduced benefit from the plan upon accepting early retirement. Monthly benefits received pursuant to the AMPP are offset by monthly benefits received pursuant to the Retirement Plan.

As approved by the Board of Directors in 1989, a supplemental employee retirement agreement was entered into with Mr. Maerki. Under the agreement, Mr. Maerki's retirement benefits will be computed as if he had been an employee of the Company since February 15, 1974.

As approved by the Board of Directors in 2000, supplemental employee retirement agreements were entered into with Mr. Sterba and Mr. Ortiz. Under the terms of the agreement with Mr. Sterba, he will earn additional years of credited service so that, if he remains employed by the Company until February 28, 2005, he will be credited with 30 years of service. Mr. Sterba's agreement also provides that, until February 28, 2005, his eligibility for retiree medical benefits will be determined as if he attained 20 years of credited service with the Company at age 45. Under the terms of the agreement with Mr. Ortiz, he will earn additional years of credited service so that, if he remains employed by the Company until January 1, 2010, he will be credited with 30 years of service. This agreement also provides that, until Mr. Ortiz reaches the age of 55, his eligibility for retiree medical benefits will be determined as if he had attained 20 years of credited service with the Company at age 45.

Under the terms of employment agreements with Mr. Montoya, he is receiving supplemental retirement benefits computed as if he had been an employee of the Company since August 1, 1990.

## Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

The Board of Directors has approved the establishment of an irrevocable grantor trust, under provisions of the Internal Revenue Code, generally in connection with the AMPP and the supplemental retirement arrangements with Mr. Montoya, Mr. Sterba, Mr. Ortiz, Mr. Maerki, and certain former executive officers. The Company may, but is not obligated to, provide funds to the trust, which was established with an independent trustee, to aid in meeting its obligations under those arrangements. Funds in the amount of \$12.7 million have been provided to the trust since 1989. Distributions have been made from the trust since 1989. No additional funds have been provided to the trust. In connection with amendments to the Executive Retention Plan discussed below, the executive savings program and supplemental retirement arrangements would be required to be funded through the trust upon a change in control of the Company.

### DIRECTOR COMPENSATION

Of the Company's current Board members, only one, Mr. Sterba, is a salaried employee. Mr. Sterba receives no compensation for serving on the Board or its committees. Board members who are not salaried employees of the Company receive compensation for Board service, which currently includes:

ANNUAL RETAINER:	\$20,000
ATTENDANCE FEES:	\$750 per Board meeting \$500 for each Board committee meeting
COMMITTEE CHAIRS:	\$200 for each Board committee meeting (in addition to attendance fees)

Under the Company's Director Retainer Plan, approved by shareholders in 1996, directors may choose to receive their annual retainer in the form of cash, restricted stock or stock options. The restrictions on the restricted stock generally lapse one-third each year following the year of the grant. The options generally vest (become exercisable) on the date of the next annual meeting and allow the director to purchase 2,000 shares of common stock. The exercise price of the option is equal to the fair market value of the common stock on the date of grant less the annual retainer divided by 2,000, subject to a minimum exercise price.

### EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

The Company Board of Directors adopted the Executive Retention Plan, or the Retention Plan, effective January 1, 1992. The Retention Plan covers executive officers and other key employees designated by the Board. The Retention Plan provides certain severance benefits should the employee be terminated from the Company as a result of a change in control of the Company, and the employee is not immediately re-employed by the successor company, if that termination is (a) for reasons other than cause, or (b) by the employee due to constructive termination. The severance benefits include: (i) lump sum severance equal to 2.5 times current base compensation for executive officers; (ii) reimbursement of reasonable legal fees and expenses incurred as a result of termination of employment; (iii) certain insurance benefits that are substantially similar to those received by the employee immediately prior to termination of employment; (iv) certain other amounts; and (v) if an employee

receives any payment due to a change in control that is subject to the excise



Edgar Filing: PUBLIC SERVICE CO OF NEW MEXICO - Form 10-K/A

tax provided in Section 4999 of the Code, then the Company will reimburse the employee in an amount equal to that which places the employee in the same after-tax position as if no excise tax had been imposed. The Retention Plan was effective for an initial term through December 31, 1992, and is to continue in effect until terminated by the Board. The Retention Plan is also subject to automatic extension, or revival if it has been terminated, for certain events relating to potential changes in control.

The Company also has a non-union severance pay plan that covers non-union employees, including executives, who are terminated due to the elimination of their positions. Executives are eligible, upon signing a release agreement, for a lump sum payment equal to one year of base salary and reimbursement for placement assistance expenses incurred during the year after being terminated up to 5% of base salary. Executives are also eligible for regular severance pay in the amount of two months of base salary plus one additional week of base salary for each year of service, continuation of certain insurances, and health care benefits for up to 12 months. Severance benefits shall not exceed the equivalent of twice the participant's annual compensation. If an employee is to receive benefits under the Retention Plan, severance benefits are not available to that employee under the non-union severance pay plan.

Certain other plans in which the named executive officers participate contain provisions that are triggered by a change in control of the Company. These include the Performance Stock Plan, under which immediate vesting of stock options occurs upon a change in control, and the PNM Resources, Inc. Omnibus Performance Equity Plan, which provides for immediate vesting upon eligible termination due to a change in control.

The terms of the change in control provisions are similar among the plans but do have some variations. The Board of Directors is considering whether a uniform definition of "change in control" should be adopted to apply to all plans.

E-9

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PUBLIC SERVICE COMPANY OF NEW MEXICO  
(Registrant)

Date: May 4, 2001

By /s/ John R. Loyack

-----  
John R. Loyack  
VICE PRESIDENT, CORPORATE CONTROLLER  
AND CHIEF ACCOUNTING OFFICER

E-37