

PNM RESOURCES INC
Form PRE 14A
March 22, 2006

PNM Resources, Inc.
Alvarado Square
Albuquerque, NM 87158

Notice of Annual Meeting of Shareholders

Tuesday, May 16, 2006

9:00 a.m., Mountain Daylight Time

South Broadway Cultural Center

1025 Broadway, SE

Albuquerque, New Mexico

April 7, 2006

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of PNM Resources, Inc. The meeting will be held on Tuesday, May 16, 2006, at **9:00 a.m. (Mountain Daylight Time)**, at the South Broadway Cultural Center, 1025 Broadway, SE, Albuquerque, New Mexico. A map to the meeting location is included on the back page of this proxy statement for your reference.

At the meeting, shareholders are being asked to:

Elect nine (9) directors.

Act upon a proposal to approve the appointment of Deloitte & Touche LLP, as independent public accountants for 2006.

Approve an amendment to the Restated Articles of Incorporation of PNM Resources, Inc. eliminating the authority of the Board of Directors to classify itself through the Company's bylaws.

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Transact any other business properly brought up at the meeting.

Holders of PNM Resources, Inc. common stock of record at the close of business on March 27, 2006, may vote at the meeting.

This proxy statement and proxy card are being distributed on or about April 7, 2006. Your vote is important. The continuing interest of our shareholders in the business of PNM Resources, Inc. is appreciated and we hope you will be able to attend.

Sincerely,

Jeffry E. Sterba
Chairman of the Board, President and
Chief Executive Officer

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PNM Resources, Inc.

Proxy Statement for 2006 Annual Meeting of Shareholders

Tuesday, May 16, 2006

SUMMARY OF PROPOSALS YOU ARE ASKED TO VOTE ON

This proxy statement summarizes the information you need to know to vote at the 2006 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 7, 2006.

Proposal 1 Election of Directors

Previously the Board of Directors of PNM Resources, Inc. (the Board) was divided into three (3) classes with three-year staggered terms so that approximately one-third (1/3) of the directors were elected at each Annual Meeting. In February 2006, the Board amended the bylaws to declassify itself and to provide for the annual election of all directors. As discussed below in Proposal 3, the Board is also seeking to amend the Restated Articles of Incorporation of PNM Resources, Inc., to preclude the Board from reclassifying itself without shareholder approval.

The Board recommends Adelmo E. Archuleta, Julie A. Dobson, Woody L. Hunt, Charles E. McMahan, Manuel T. Pacheco, Robert M. Price, Bonnie S. Reitz, Jeffrey E. Sterba, and Joan B. Woodard for election to the Board at the Annual Meeting. Detailed information on these nominees is provided on page 5. Directors will be elected for one-year terms.

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 registered public accountant, subject to ratification by the Company s shareholders, to audit the Company s books. The Audit Committee has selected Deloitte & Touche LLP to audit the Company s consolidated financial statements for the fiscal year beginning January 1, 2006.

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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 2006.

Proposal 3 Approval of the Amendment to the Restated Articles of Incorporation of PNM Resources Inc. Eliminating the Classification of the Board of Directors

The Board is asking shareholders to approve an amendment to the Restated Articles of Incorporation of PNM Resources, Inc. to eliminate a provision allowing the Board to classify itself through the bylaws. The Board believes that providing shareholders with the opportunity to elect the entire Board on an annual basis is consistent with the Board's continued commitment to best practices in corporate governance.

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

INTRODUCTION

PNM Resources, Inc. (PNM Resources, PNMR, or the Company) is an investor-owned holding company of energy and energy-related businesses based in Albuquerque, New Mexico and trades on the New York Stock Exchange (NYSE) under the symbol PNM. Through its utility and energy service subsidiaries, PNM Resources supplies electricity to approximately 744,000 homes and businesses in New Mexico and Texas and natural gas to approximately 478,000 customers in New Mexico. Its utility subsidiaries are Public Service Company of New Mexico (PNM) and Texas-New Mexico Power (TNMP).

Other subsidiaries include First Choice Power, a deregulated competitive retail electric provider in Texas, and Avistar, an energy and technology related services company. PNM Resources and its subsidiaries also sell power on the wholesale market in the west. For more information, visit www.pnmresources.com.

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 peer benchmarks. 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 recommending any necessary changes to the Board.

The Corporate Governance Principles document, as amended on February 14, 2006 to provide Stock Ownership Guidelines for Directors, is attached as Appendix A, and can also be found on PNM Resources' website at www.pnmresources.com/ge/cg. 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
- Stock Ownership Guidelines
- 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.pnmresources.com/ge/ec. 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 the Company's website at

www.pnmresources.com/ge/cg. The Company 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 South Broadway Cultural Center prior to the Annual Meeting. Attendance is limited to shareholders of record on March 27, 2006. 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 the directors nominated, FOR the approval of the selection of Deloitte & Touche LLP (Deloitte & Touche), as independent public accountants, and FOR approval of the amendment to the Restated Articles of Incorporation of PNM Resources, Inc., and on all other matters in accordance with their judgment. Any subsequent vote by any means will change your prior vote. The last vote actually received before the Annual Meeting will be the one counted. You may also revoke your proxy by voting in person at the Annual Meeting.

Each share of PNM Resources common stock you own entitles you to one vote. As of March 27, 2006, there were 68,786,286 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.

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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, and approve the appointment of independent public accountants. 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.

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 the Company's 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 as independent public accountants for 2006 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. Proposal 3 (approve the Amendment to the Restated Articles of Incorporation of PNM Resources, Inc) is considered a non-routine matter. Your shares cannot be voted on this matter 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 (Including Shares Held in the Employee Stock Purchase Plan (ESPP)) and 401(k) Plan Shares 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

Nine (9) current directors are seeking election for one-year terms at this year's Annual Meeting. Robert G. Armstrong is retiring from the Board at the Annual Meeting following 15 years of service. We gratefully acknowledge his dedicated service, support and leadership, and contributions to PNM Resources during his tenure. In anticipation of Mr. Armstrong's retirement, the Board elected Woody L. Hunt to the Board on September 27, 2005. There are no vacancies as the Board fixed the number of directors at nine (9) effective with the 2006 Annual Meeting.

Mr. Charles E. McMahan, a current non-management director, recommended Woody L. Hunt for Board consideration as a director candidate. The Governance and Public Policy Committee interviewed Mr. Hunt and subsequently recommended his election to the full Board. On September 27, 2005, the Board elected Mr. Hunt as a director of PNM Resources. No third party fees were paid in 2005 for identifying Board candidates.

The nomination and election for this term of service will result in Mr. Robert M. Price serving for more than twelve (12) years on the Board. The Board deemed that due to the addition of two new directors within the last year and to better coordinate an effective transition to new directors, it is in the best interest of PNM Resources for Mr. Price to continue to serve on the Board. Prior to his election in 2003, and in accordance with the Directors' Service Policy, referenced in this proxy on page 9, Mr. Price submitted a written resignation to the Board for acceptance at such time as the Board, in its discretion, deems advisable. There is no current expectation that the resignation would be accepted by the Board within the one-year term.

Previously the Board was divided into three (3) classes with three-year staggered terms so that approximately one-third (1/3) of the directors were elected at each Annual Meeting. In February 2006, the Board amended the bylaws to declassify itself and to provide for the annual election of all directors. Board members with terms that expired in 2007 and 2008 voluntarily waived their rights to the remainder of their terms so that the shareholders would have the opportunity to elect the entire Board at this year's Annual Meeting.

Each nominee has consented to being nominated and to serve if elected. In the unlikely event that any nominee becomes unable to serve for any reason, the proxies will be voted for a substitute nominee selected by the Board upon the recommendation of the Governance and Public Policy Committee of the Board.

All of the director nominees are non-employee independent directors, except Jeffrey E. Sterba, Chief Executive Officer of the Company. Biographical information regarding each nominee is shown below.

DIRECTORS NOMINATED THIS YEAR TERM EXPIRING IN 2007

Adelmo E. Archuleta

PNM Resources director since July 15, 2003

Principal Occupation During Past Five Years:

President and CEO, Molzen-Corbin & Associates, a New Mexico consulting engineering and architecture firm, since 1982

Mr. Archuleta, age 55, is a resident of Albuquerque, New Mexico, and holds a master's degree in Civil Engineering from New Mexico State University. He joined Molzen-Corbin & Associates 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

Principal Occupation During Past Five Years:

Chairman, TeleBright Corp., a telecommunications decision-support technology company, since 2002

Chief Operating Officer, TeleCorp PCS, 1998-2002

Ms. Dobson, age 49, 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 Finance Committee and is a member of the Audit and Ethics Committee. The Board of Directors has determined that Ms. Dobson qualifies as an audit committee financial expert as defined by the SEC regulations.

Woody L. Hunt

PNM Resources director since September 27, 2005

Principal Occupation During Past Five Years:

Chairman and Chief Executive Officer, Hunt Building Co., Ltd, and Affiliated Companies, since 1977

Mr. Hunt, age 60, is a resident of El Paso, Texas, and is chief executive officer of Hunt Building Company, Ltd., a privately owned development, construction, and property management company based in El Paso. He graduated with honors from The University of Texas at Austin with a bachelor's degree in finance in 1966 and an MBA in finance in 1970. He earned an M.A. in management from the Claremont Graduate School in California in 1989. Other directorships include: The University of Texas Investment Management Company. Mr. Hunt serves on the Audit and Ethics and Finance Committees and has been designated an audit committee financial expert as defined by the SEC regulations.

Charles E. McMahan

PNM Resources director since May 17, 2005

Principal Occupation During Past Five Years:

Retired December 31, 2003, as an officer of Compass Bank and Compass Bancshares

Vice Chairman of Compass Bank and Compass Bancshares - 1999-2003

Mr. McMahan, age 66, is a resident of Schulenburg, Texas, and retired from Compass Bank and Compass Bancshares in 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., and Enterprise GP Holdings, L.P. Enterprise GP Holdings L.P is an energy company providing a range of processing, storage and transportation services. Mr. McMahan has been Chair of the Audit and Ethics Committee since February 13, 2006, and is a member of the Human Resources and Compensation Committee. The Board of Directors has determined that Mr. McMahan qualifies as an audit committee financial expert as defined by the SEC regulations.

Manuel T. Pacheco, Ph.D.

PNM Resources/PNM director since 2001

Principal Occupation During Past Five Years:

Retired President, University of Missouri System 1997-2003

Dr. Pacheco, age 64, 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

Principal Occupation During Past Five Years:

President, PSV, Inc., a technology consulting business, since 1990

Mr. Price, age 75, is a resident of Edina, Minnesota, and has been President of PSV Inc. 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 served as Chair of the Finance Committee throughout 2005. He currently serves as a member of the Human Resources and Compensation Committee, Finance Committee, and Governance and Public Policy Committee.

Bonnie S. Reitz

PNM Resources director since July 16, 2002

Principal Occupation During Past Five Years:

Owner, InsideOutCulture to Customer,
a business consulting company, since March 2003
President, EOS Airlines, a new premium transatlantic airline, April-August 2005
Senior Vice President, Sales and Distribution,
Continental Airlines, Inc., 1994-2003

Ms. Reitz, age 53, is a resident of St. Petersburg, Florida, and is the owner/founder of InsideOutCulture to Customer, a business consulting company. Ms. Reitz was President of EOS Airlines from April to August 2005. 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

Principal Occupation During Past Five Years:

Chairman, President and Chief Executive Officer, PNM Resources, Inc. since 2000
Executive Vice President, USEC, 1999-2000
Executive Vice President and Chief Operating Officer, PNM, 1997-1999

Mr. Sterba, age 51, is a resident of Albuquerque, New Mexico, and is Chairman, President and Chief Executive Officer of PNM Resources and PNM. Since June 2005, Mr. Sterba also serves as Chairman of TNMP. 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

Principal Occupation During Past Five Years:

Executive Vice President and Deputy Director, Sandia National Laboratories, since March 1999

Dr. Woodard, age 53, 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 currently responsible for the nuclear deterrent program at the lab, and previously served as the lead Vice President for energy research and development and as the chief operations officer. She serves on advisory boards for the University of New Mexico and the University of Missouri, as well as the Air Force Scientific Advisory Board.

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

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

DIRECTOR INDEPENDENCE

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, or being a shareholder or a retail utility customer of the Company).

BOARD MEETINGS

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 nominated and approved by the current independent directors. Dr. Joan B. Woodard currently serves as the 2006 presiding director, and the next presiding director will be elected at the February 2007 Board meeting, the first meeting of the 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.

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In 2005, the full Board met seven times. The independent directors held four regularly scheduled meetings in 2005. Attendance in 2005 at full Board and committee meetings exceeded 98%.

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 2005 Annual Meeting held on May 17, 2005.

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-0806, Albuquerque, New Mexico 87158. All shareholder communications will be relayed to the Board of Directors or an appropriate committee of the Board. 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.pnmresources.com/ge/cg for any changes in this process.

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-0806, Albuquerque, New Mexico 87158.

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 current 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.pnmresources.com/ge/cg. As previously noted, prior to his election in 2003, and in accordance with the Directors' Service Policy, Mr. Price submitted a written resignation to the Board for acceptance at such time as the Board, in its discretion, deems advisable. There is no current expectation that the resignation would be accepted by the Board within the one-year term.

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: Five independent, non-employee directors:
Julie A. Dobson (Chair)*, Adelmo E. Archuleta, Robert G. Armstrong, Woody L. Hunt, and Charles E. McMahan

Number of Meetings held in 2005: 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.

Ensures 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.

Approves independent accountant services and fees for audit and non-audit services.

Charter:

A copy of the Audit Committee Charter may be found in Appendix B to this proxy statement and can also be found at www.pnmresources.com/ge/cg. The Audit Committee Charter prohibits any committee member from serving on the audit committees of more than two other publicly traded companies.

Evaluation:

The Audit Committee conducted an evaluation of its performance in 2005.

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, Mr. Woody L. Hunt and Mr. Charles E. McMahan qualify as audit committee financial experts within the meaning of SEC regulations.

Mr. Robert G. Armstrong served on the Audit Committee throughout 2005 and is retiring from the Board and all Board committees on May 16, 2006.

*Ms. Dobson served as Chair of the Audit Committee throughout 2005 and currently serves as a member of the Audit Committee. Mr. McMahan was elected Chair for 2006.

Finance Committee

Members: Four independent, non-employee directors:
Robert M. Price (Chair)*, Julie A. Dobson, Woody L. Hunt, and Joan B. Woodard

Number of Meetings held in 2005: Six

Functions: Reviews financial policies and performance objectives, including dividend policy.

Reviews and recommends to the Board 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, as amended on February 14, 2006, may be found in Appendix C to this proxy statement and can also be found at www.pnmresources.com/ge/cg.

Evaluation: The Finance Committee conducted an evaluation of its performance in 2005.

*Mr. Price served as Chair of the Finance Committee throughout 2005 and currently serves as a member of the Finance Committee. Ms. Dobson was elected Chair for 2006.

Governance and Public Policy Committee (GPPC)

Members: Five independent, non-employee directors:
Manuel T. Pacheco (Chair), Robert G. Armstrong, Robert M. Price
Bonnie S. Reitz, and Joan B. Woodard

Number of Meetings held in 2005: Seven

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Functions:

Recommends candidates for election to the Board.

Develops policy on composition, size of the Board as well as tenure and retirement of directors.

Recommends Board compensation levels and stock ownership guidelines.

Recommends to the Board a set of corporate governance principles applicable to the Company.

Oversees the evaluation of the Board.

Oversees the Company's public responsibilities and corporate citizenship.

Charter:

A copy of the GPPC Charter, as amended on February 14, 2006, may be found in Appendix D to this proxy statement and can also be found at www.pnmresources.com/ge/cg.

Evaluation:

The GPPC conducted an evaluation of its performance in 2005.

The GPPC will consider director candidates proposed by shareholders. Director candidates recommended by shareholders will be evaluated against the same criteria as nominees submitted by the GPPC. 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 individuals of the highest character and integrity and have inquiring minds, 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 insider trading restrictions, 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).

The GPPC conducted a board search and all candidates were evaluated utilizing the same criteria. Mr. Charles E. McMahan, a current non-management director, recommended Woody L. Hunt for Board consideration as a director candidate. The GPPC interviewed Mr. Hunt and subsequently recommended his election to the full Board. On September 27, 2005, the Board elected Mr. Hunt as a director of PNM Resources. No third party fees were paid in 2005 for identifying Board candidates.

Mr. Robert G. Armstrong served on the GPPC throughout 2005 and is retiring from the Board and all Board committees on May 16, 2006.

Human Resources and Compensation Committee (HRCC)

Members: Five independent, non-employee directors:
Bonnie S. Reitz (Chair), Adelmo E. Archuleta, Manuel T. Pacheco,
Charles E. McMahan, and Robert M. Price

Number of Meetings held in 2005: Six

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, as amended on February 14, 2006, may be found in Appendix E to this proxy statement, and can also be found at www.pnmresources.com/ge/cg.

Evaluation:

The HRCC conducted an evaluation of its performance in 2005.

PNM Resources Common Stock Owned by Executive Officers and Directors

(As of March 14, 2006)

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	4,346	15,000	*
Robert G. Armstrong	8,340	40,050	*
Alice A. Cobb	18,808	21,892	*
Julie A. Dobson	6,050	18,250	*
Woody L. Hunt	3,000	0	*
Charles E. McMahan	7,050	0	*
Patrick T. Ortiz	36,544	35,667	*
Manuel T. Pacheco	2,743	15,000	*
Robert M. Price	4,050	25,500	*
William J. Real	18,707	17,551	*
Bonnie S. Reitz	3,300	21,000	*
Hugh W. Smith	13,039	3,050	*
Jeffry E. Sterba	99,425	491,646	*
Joan B. Woodard	2,600	15,000	*
Directors and Executive Officers as a Group (18)	247,823	722,906	1.42%

(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 14, 2006, 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 14, 2006, the Executive Savings Plan share rights consist of 6,069 and the Executive Savings Plan II share rights consist of the 4,679 of the 491,646 shares reported for Jeffry E. Sterba, and an additional 9,861 shares of the 722,906 shares reported for directors and executive officers as a group.

*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	6,519,550	0	6,519,550	0	6,519,550	9.5%
EARNEST Partners, LLC (2) 75 Fourteenth St. Suite 2300 Atlanta, GA 30309	1,900,620	1,998,865	6,167,285	0	6,167,285	9.0%

(1) As reported on Schedule 13G dated February 14, 2006, 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. As explained more clearly below under Transaction with Cascade , on October 7, 2005, PNM Resources issued 4,000,000 equity-linked units to Cascade. Pursuant to the transaction, Cascade has the right to purchase shares of common stock from the Company, the exact number of shares depending on the average closing price per share of PNM Resources common stock over a 20-day trading period ending on the third trading day immediately preceding the purchase contract settlement date, subject to anti-dilution adjustments. Under the terms of the equity-linked units, Cascade can purchase a minimum of 3,981,600 shares and a maximum of 4,778,000 shares upon settlement of the purchase contracts. The number of shares in the table does not reflect any shares that Cascade would be entitled to purchase and does not take into account any anti-dilution adjustments. Certain regulatory approvals must be obtained prior to settling the purchase contracts with common stock if such settlement would result in Cascade owning 10% or more of the outstanding common stock of PNM Resources.

(2) As reported on Schedule 13G dated February 10, 2006, filed with the SEC by EARNEST Partners, LLC.

Except for the information related to the number of shares that Cascade may have the right to acquire in footnote (1) above, 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 27, 2006.

Transaction with Cascade

On August 16, 2004, we announced that Cascade had agreed to invest \$100 million in equity-linked units to be issued by PNM Resources. Cascade is the largest holder of our common stock. This investment and securities issuance was a key element in the financing that we assembled to fund the purchase of TNP Enterprises, Inc. and its subsidiaries, including TNMP and First Choice Power that was completed in June 2005. In October 2005, we completed the private offering to Cascade of 4,000,000 equity-linked units at 6.625%. PNM Resources received \$100 million in proceeds from this transaction and used the proceeds to repay short-term borrowings, which included borrowings for the acquisition of TNP Enterprises, Inc.

Each equity-linked unit consists of a purchase contract and a 2.5% undivided beneficial ownership interest in one of PNM Resources' senior notes. The ownership interest in the senior notes has been initially pledged to secure Cascade's obligation to purchase PNM Resources common stock or preferred.

stock (at Cascade's option) under the related purchase contract. Each purchase contract obligates Cascade to purchase, and PNM Resources to sell, at a purchase price of \$25.00 in cash, a number of shares of PNM Resources common stock or preferred stock on or before November 16, 2008 (the purchase contract settlement date). Pursuant to the transaction, Cascade has the right to settle the purchase contract early and purchase shares of common stock from the Company, the exact number of shares depending on the average closing price per share of PNM Resources common stock over a 20-day trading period ending on the third trading day immediately preceding the purchase contract settlement date, subject to anti-dilution adjustments. Subject to certain contractual and legal requirements being satisfied, Cascade has the option to settle its obligations under the purchase contracts and purchase the shares of common stock at any time prior to the fifth business day immediately preceding the purchase contract settlement date.

DIRECTOR COMPENSATION

Of PNM Resources' current directors, only Mr. Sterba is a salaried employee and receives no compensation for serving on the Board. Non-employee directors receive their annual retainer in the form of cash and stock-based compensation as determined by the Board. The following is the current director compensation:

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

*The options and restricted stock rights granted under the PNM Resources Omnibus Performance Equity Plan 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.

As discussed below, directors will hold seventy-five percent of the annual restricted stock award until the required multiple of annual cash retainer is achieved. This amount of restricted stock is held until six months after termination of board service.

Directors are also reimbursed for any board-related expenses, such as travel expenses incurred to attend Board and Committee meetings and director education programs sponsored by educational and other institutions.

The following table details the 2005 compensation for non-employee directors.

2005 Non-Employee Director Compensation

	TOTAL	Annual Retainer Chair and Meeting Fees	Stock Options (Grant Date Present Value)	Restricted Stock Rights	Non-Stock Incentive Plan Compensation	All Other Compensation
	(\$)	(\$)	(\$)(a)	(\$)(b)	(\$)	(\$)
A. E. Archuleta	87,962	53,700	5,366	28,896	-0-	-0-
R. G. Armstrong	85,462	51,200	5,366	28,896	-0-	-0-
J. A. Dobson	92,012	57,750	5,366	28,896	-0-	-0-
W. L. Hunt	46,762	12,500	5,366	28,896	-0-	-0-
C. E. McMahan						