

PNM RESOURCES INC
Form 424B5
November 07, 2008

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The information in this preliminary prospectus supplement is not complete and may be changed. The registration statement to which this preliminary prospectus supplement relates is effective. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
 Registration File No. 333-150101

Subject to Completion, dated November 7, 2008

PROSPECTUS SUPPLEMENT

(To Prospectus dated April 4, 2008)

\$100,000,000 % Senior Notes Due 2010

In October 2005, we issued \$100,000,000 aggregate principal amount of 5.1% Senior Notes initially due August 16, 2010, which we refer to herein as the notes, in connection with the issuance of 4,000,000 6.625% Equity Units, which we refer to herein as the Units. This is a remarketing of \$100,000,000 aggregate principal amount of the notes on behalf of the Unit holders or any holder of notes that are not components of Units who elects to participate in the remarketing.

From and after November 16, 2008, the notes will bear interest at the rate of % per year. We will pay interest semi-annually in arrears on May 16 and November 16 of each year, commencing May 16, 2009. The notes will mature on November 16, 2010. We may not redeem the notes prior to their maturity on November 16, 2010. Upon the occurrence of a Change of Control, we will generally be required to make an offer to repurchase the notes at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest to, but not including, the date of repurchase.

We may purchase up to \$90,000,000 principal amount of the notes in the remarketing. Because we will cancel all of the notes we purchase in the remarketing, our purchase may adversely affect the liquidity of the remaining outstanding notes. See Risk Factors An active trading market for the securities may not develop, especially if we purchase a substantial portion of the notes in the remarketing.

The notes are and will be our senior unsecured obligations and rank and will rank equally with all of our existing and future senior unsecured debt and senior to any future subordinated unsecured debt that we may incur.

The notes are not and will not be listed on any securities exchange or quoted on any automated quotation system. Currently there is no public trading market for the notes.

Investing in the notes involves risks. Risk Factors begin on page S-8.

	Per Senior Note	Total
Remarketed Offering Price(1)	%	\$
Remarketing Fee(2)	%	\$

Proceeds to Participating Note Holders(3) % \$

- (1) Plus accrued interest from and including November 16, 2008 to but excluding the date of settlement, which is expected to be November 17, 2008.
- (2) We will pay the remarketing fee to the remarketing agents.
- (3) The portion of the proceeds equal to aggregate principal amount of the notes will be applied to satisfy the obligation of the holders of the Units to purchase our common stock and/or preferred stock under the stock purchase contracts that are part of their Units. Any excess proceeds will be remitted to the holders of the Units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about November 17, 2008.

Remarketing Agents

Citi		Banc of America Securities LLC
Wedbush Morgan Securities Inc.	RBC Capital Markets	UBS Investment Bank

November , 2008

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Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this remarketing. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read this entire prospectus supplement as well as the accompanying prospectus and the documents incorporated by reference that are described under "Where You Can Find More Information" herein. In the event that the information in this prospectus supplement is different from or inconsistent with that contained in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. ***The description of the notes and indenture in this prospectus supplement replaces the description of the general provisions of the debt securities and the indenture in the accompanying prospectus which describes debt securities issued under a different indenture.***

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us, or information to which we have referred you. We have not, and the remarketing agents have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the remarketing agents are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus supplement and the accompanying prospectus to "PNMR," "PNM Resources," "we," "our" and "us" refer to PNM Resources, Inc. Unless otherwise indicated, financial information included or incorporated by reference herein is for PNM Resources, Inc. and its subsidiaries on a consolidated basis.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully before making an investment decision.

The Company

General

We are an investor-owned holding company of energy and energy-related businesses. Our primary subsidiaries are Public Service Company of New Mexico (PNM), Texas-New Mexico Power Company (TNMP) and First Choice Power, L.P. (First Choice). In addition, we have a 50 percent ownership interest in EnergyCo, LLC (EnergyCo), a company not subject to traditional utility rate regulation.

PNM is an integrated public utility with regulated operations primarily engaged in the generation, transmission and distribution of electricity, the transmission and distribution and sale of natural gas, and unregulated operations primarily focused on the sale and marketing of electricity into the wholesale market in the western United States. TNMP is a regulated electric utility providing transmission and distribution services in Texas. First Choice is a competitive retail electric provider operating in Texas.

EnergyCo was formed in January 2007 by PNMR and ECJV Holdings, LLC (ECJV), a wholly-owned subsidiary of Cascade Investment, L.L.C., one of PNMR's largest shareholders, to target opportunities in expanding U.S. markets throughout the Southwest, Texas and the West. In June 2007, we contributed to EnergyCo our interest in Altura Power L.P., whose primary asset is the coal-fired 305 MW Twin Oaks power plant located in central Texas. In August 2007, EnergyCo completed the acquisition of the CoGen Lyondell Power Generation Facility (now known as Altura Cogen, LLC), a 614 MW natural gas-fired cogeneration plant, located near Houston, Texas and also announced that EnergyCo had agreed with NRG Energy, Inc. to jointly develop a 550 MW combined-cycle natural gas unit at the existing NRG Cedar Bayou Generating Station near Houston. EnergyCo anticipates the construction of the project will be completed in the summer of 2009, at which time 275 MW of electricity will be available for sale by EnergyCo.

Strategy and Recent Regulatory Developments

Our overall strategy is to concentrate business efforts on core regulated and unregulated electric businesses. We intend to focus on our regulated electric business by selling PNM's natural gas operations, which, pending receipt of regulatory approvals, is expected to close late in 2008 or early in 2009. On January 12, 2008, PNM entered into an agreement (the Gas Assets Agreement) with Continental Energy Systems LLC (Continental) and New Mexico Gas Company, Inc. (NMGC), a subsidiary of Continental, to sell PNM's natural gas operations to NMGC for \$620 million in cash, subject to adjustment based on, among other things, the amount of certain assets and liabilities attributable to PNM's natural gas operations at closing. We expect to use the net after-tax proceeds of approximately \$460.0 million from this sale to retire debt, fund future electric capital expenditures and for other corporate purposes. The Gas Assets Agreement contains a number of customary representations and warranties and indemnification provisions as well as closing conditions, including regulatory and third-party approvals. The parties may terminate the agreement under certain circumstances. In addition, there is a provision that no terms can be imposed in connection with the final regulatory approvals that could reasonably be expected to have a material adverse effect or impose any material adverse requirements on the buyer or its affiliates, operations or assets. On June 13, 2008, we received notice of early

termination of the waiting period required under the Hart-Scott-Rodino antitrust rules. Notification of early termination is considered antitrust clearance of

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the transaction. PNM filed testimony with the New Mexico Public Regulation Commission (NMPRC) in March 2008 for approvals required for the sale of its gas utility operations and for transition services to be provided to NMGC. On August 20, 2008, the NMPRC staff, the New Mexico Attorney General, the International Brotherhood of Electrical Workers, Local 611, PNM and NMGC filed a stipulation indicating the filing parties have agreed to a resolution of the issues in the proceeding. A hearing took place before the NMPRC in September 2008. A schedule has been established, but the NMPRC has not announced any decisions as of the date hereof.

The growth of our electric business that is not subject to traditional utility rate regulation is expected from the further development of EnergyCo.

On August 11, 2008, PNMR announced that it had decided to pursue strategic alternatives for First Choice. Since then, global economic conditions have deteriorated dramatically encompassing the U.S. residential housing market, and global and domestic equity and credit markets. The tightening of the credit markets coupled with extreme volatility in commodity markets has increased the risk of executing strategic transactions in the retail sector. At this point, management has determined that retaining First Choice provides better long term value for PNMR shareholders.

The focus on the electric businesses also includes environmental sustainability efforts. These efforts are comprised of various components including environmental upgrades, energy efficiency leadership, solar generating site and technology feasibility, purchasing power from renewable resources, and climate change leadership. The investment in environmental sustainability is expected to result in future emission reductions as well as other long-term benefits for the Company.

Another initiative of ours is the separation of our merchant operations from PNM, which we intend to accomplish in several steps. In June 2008, we completed the sale of certain wholesale power, natural gas and transmission contracts as an initial step in separating our merchant plant activities from PNM. In April 2008, PNM entered into three separate contracts for the sale of capacity and energy related to its entire ownership interest in Palo Verde Nuclear Generating Station Unit 3, which is 135 MW. Under two of the contracts, PNM sells 90 MW of firm capacity and energy. Under the remaining contract, PNM sells 45 MW of unit contingent capacity and energy. The term of the contracts is May 1, 2008 through December 31, 2010. Under the two firm contracts, the two buyers made prepayments of \$40.6 million and \$30.0 million. The prepayments have been recorded as deferred revenue and are being amortized over the life of the contracts.

Critical to PNMR's success for the foreseeable future is the financial health of PNM, PNMR's largest subsidiary. In February 2007, PNM filed for new electric rates designed to increase operating revenues \$76.9 million on an annual basis. In addition, PNM asked for reinstatement of its fuel and purchased power cost adjustment clause (FPPAC), which it voluntarily relinquished in 1994 under dramatically different circumstances.

On April 24, 2008, the NMPRC issued a final order in PNM's electric rate case, resulting in a revenue increase of \$34.4 million for PNM. New rates reflecting the \$34.4 million increase are effective for bills rendered on and after May 1, 2008. The NMPRC also authorized a return on equity (ROE) of 10.1 percent. PNM had requested a \$76.9 million rate increase, an ROE of 10.75 percent and FPPAC to allow PNM to timely recover the higher cost of fuel and energy needed to serve residential and business customers. In its final order, the NMPRC also disallowed recovery associated with PNM's renewable energy certificates (REC) that are being deferred as regulatory assets and capped the recovery of coal mine decommissioning costs at \$100.0 million. The order results in PNM being unable to assert it is probable, as defined under generally accepted accounting principles (GAAP), that the costs previously deferred on PNM's balance sheet will be recoverable through future rates charged to its customers. Accordingly, as of March 31, 2008, PNM recorded regulatory disallowances for pre-tax write offs of \$19.6 million for coal mining decommissioning costs and \$10.6 million for deferred REC costs. PNM is evaluating whether it will be successful in meeting the criteria set forth by the NMPRC. PNM has appealed the NMPRC's treatment of coal mine

decommissioning and the RECs to the New Mexico Supreme Court. If the appeal is successful or if PNM is successful in demonstrating that

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these costs are recoverable through future rate proceedings, the costs will be restored to PNM's balance sheet. PNM is unable to predict the outcome of this matter.

On March 20, 2008, PNM, together with the International Brotherhood of Electrical Workers, Local 611, filed a joint motion to implement an emergency FPPAC. The motion requested immediate authority to implement an emergency FPPAC for a period of 24 months or until the effective date of new rates in PNM's next rate case, whichever is earlier. On May 22, 2008, following an evidentiary hearing, the NMPRC issued a final order that approved the emergency FPPAC with certain modifications relating to power plant performance and the treatment of revenue from SO₂ allowances. The emergency FPPAC permits PNM to recover its actual fuel and purchased power costs up to \$0.024972 per kWh, which is an increase of \$0.008979 per kWh above the fuel costs included in base rates. PNM is unable to predict if actual fuel and purchased power costs will exceed the \$0.024972 per kWh cap during the period the emergency FPPAC is in effect. PNM implemented the emergency FPPAC as modified on June 2, 2008 and expects to recover \$58 million to \$62 million annually. The Albuquerque Bernalillo County Water Utility Authority and New Mexico Industrial Energy Consumers Inc. filed notices of appeal to the New Mexico Supreme Court, which seek to have vacated the NMPRC order approving the emergency FPPAC. The appeals have been consolidated and PNM has been granted party status. PNM is unable to predict the outcome of these appeals.

On September 22, 2008, PNM filed a general rate case requesting the NMPRC to approve an increase in electric service rates to all PNM retail customers except those formerly served by TNMP. The proposed rates are designed to increase annual operating revenue by \$123.3 million based on a March 31, 2008 ending test period and calculating base fuel costs using a projection of costs for the 12 months ending March 31, 2009. PNM has also proposed a FPPAC in the general form authorized by the NMPRC, but with PNM retaining 25% of off-system sales revenue and crediting 75% against fuel and purchased power costs. On September 30, 2008, the NMPRC ordered that PNM's proposed rates be suspended for a period of nine months from October 22, 2008 and appointed a hearing examiner to conduct a hearing and otherwise preside over the case. PNM is unable to predict the outcome of this proceeding.

In anticipation of the 2008 electric rate case, on September 10, 2008, a stipulation executed by PNM, the NMPRC staff, the New Mexico Attorney General and the Coalition for Clean Affordable Energy, and later joined by New Mexico Industrial Energy Consumers Inc., was filed with the NMPRC (the Resource Stipulation). If approved by the NMPRC, the Resource Stipulation would provide that costs associated with the sources of power addressed in the Resource Stipulation, which are currently not included in base rates, be included in rates established in the 2008 electric rate case and would also resolve all issues in other proceedings pending before the NMPRC, regarding Valencia Energy Facility, PNM's proposed acquisition of an ownership interest in Unit 2 of Palo Verde Nuclear Generating Station currently being leased, the application to own and operate Lordsburg Generating Station and its interest in Luna Energy Facility as NMPRC jurisdictional assets and to recover their costs in retail rates. The NMPRC has approved consolidating these proceedings for the purpose of considering approval of the Resource Stipulation and to expedite such consideration. Hearings on the 2008 electric rate case are scheduled to begin on March 30, 2009. The Company is unable to predict whether the NMPRC will approve the Resource Stipulation or the ultimate outcome of these proceedings if it does not.

On August 29, 2008, TNMP filed for an \$8.7 million increase in revenues. If approved, new rates would go into effect in September 2009. In its request to the Public Utility Commission of Texas (PUCT), TNMP also asked for permission to implement a catastrophe reserve fund similar to those approved for other transmission and distribution companies in Texas. Catastrophe funds help pay for a utility system's recovery from natural disasters and acts of terrorism. Once the rate case is finalized by the PUCT, TNMP may update its transmission rates annually to reflect changes in its invested capital. Updated rates would reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities. On October 10, 2008, the PUCT issued a preliminary order permitting TNMP to file

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supplemental testimony on costs incurred as a result of Hurricane Ike, which made U.S. landfall at Galveston, Texas on September 13, 2008, as a Category 2 hurricane. These costs may be included in rates or captured as a regulatory asset for review and approval in a subsequent proceeding. TNMP is unable to predict the outcome of this matter.

Corporate Information

Our principal executive office is located at Alvarado Square, Albuquerque, New Mexico 87158, and our telephone number is (505) 241-2700. We also maintain a website at www.pnmresources.com. Our website and the information contained therein are not part of this prospectus supplement.

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The Remarketing of the Notes

Issuer	PNM Resources, Inc.
Securities	\$100,000,000 aggregate principal amount of % Senior Notes Due 2010, which we refer to herein as the notes.
Issuer Participation	We may purchase up to \$90,000,000 principal amount of notes in the remarketing.
Denominations	The notes being remarketed have been issued in denominations of \$1,000 and integral multiples thereof.
Maturity Date	November 16, 2010
Interest Rate	From and after November 16, 2008, the notes will bear interest at the rate of % per year.
Interest Payment Dates	We will pay interest semi-annually in arrears on May 16 and November 16 of each year, commencing May 16, 2009.
Mandatory Redemption	We are not and will not be required to make mandatory redemption or sinking fund payments on the notes.
Optional Redemption	We may not redeem the notes prior to their maturity on November 16, 2010.
Change of Control	Upon the occurrence of a change of control, each holder of notes will have the right to require us to repurchase all or any part of such holder's notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase. See Description of Notes Repurchase at the Option of Holders Change of Control.
Ranking	The notes are and will be our general unsecured obligations. The notes rank and will rank equally in right of payment with all our existing and future senior debt. The notes are and will be senior in right of payment to any subordinated debt that we may incur. As of September 30, 2008, we had \$751.9 million aggregate principal amount of short-term and long-term debt outstanding (\$13.2 million of which is secured). This amount does not include borrowings of our subsidiaries PNM and TNMP, but does include borrowings of First Choice under the PNMR Revolving Facility (defined below), which PNMR guarantees. The notes are and will be effectively subordinated to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries. As of September 30, 2008, our subsidiaries PNM and TNMP had approximately \$1,713.6 million aggregate principal amount of short-term and long-term debt outstanding (\$65.0 million of which is secured), excluding intercompany loans. See Description of the Notes Ranking below.

Certain Covenants

The indenture limits our ability, among other things:

to create liens without equally and ratably securing the notes; and

to engage in certain sale/leaseback transactions.

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It also limits our ability to engage in mergers, consolidations and certain sales of assets.

These covenants are subject to important exceptions and qualifications, as described under **Description of Notes** **Covenants** below.

The Remarketing

The notes being remarketed were issued originally by us in October 2005 in connection with our issuance and sale of the Units. Each Unit initially consisted of both a purchase contract and a note. In order to secure its obligation under the purchase contract, the holder of the Units pledged its notes to us through a collateral agent. Pursuant to the terms of the Units, the remarketing agents are remarketing the notes originally issued in October 2005 on behalf of the current holder of Units in accordance with the remarketing agreement, as supplemented by the supplemental remarketing agreement among us, the remarketing agents and U.S. Bank National Association, as purchase contract agent and as attorney-in-fact for the holder of the purchase contracts. See **Plan of Distribution** in this prospectus supplement.

The terms of the Units and the notes require the remarketing agents to use their commercially reasonable efforts to remarket the notes of any holders participating in the remarketing at a price of 100% of the aggregate principal amount of such notes. In connection with the remarketing, Citigroup Global Markets Inc., Banc of America Securities LLC, Wedbush Morgan Securities Inc., RBC Capital Markets Corporation and UBS Securities LLC, as remarketing agents, have reset the interest rate on the notes to % per year.

Use of Proceeds

The remarketing agents will remit to U.S. Bank National Association, as collateral agent, the proceeds from the remarketing of the notes currently held as components of the Units. The collateral agent will pay to us 100% of the aggregate principal amount of the remarketed notes currently held as components of the Units, to satisfy in full the obligation of the holder of those Units to purchase our common stock and/or preferred stock, which we will issue on November 17, 2008. Any remaining proceeds from the remarketing will be remitted to the holders of the Units whose notes were sold in the remarketing.

We may purchase and cancel up to \$90.0 million aggregate principal amount of the notes. If we purchase \$90.0 million aggregate principal amount of the notes, we will have approximately \$10.0 million in cash remaining after the purchase of such notes and the sale of our common stock and/or preferred stock, which we expect to use to pay down outstanding borrowings under our revolving credit facility (the **PNMR Revolving Facility**). See **Use of Proceeds** below.

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Ratings

As of the date hereof, ratings on our senior unsecured notes were as follows:

S&P: BB- (stable)

Moody s: Ba2 (negative)

Fitch: BB (stable)

Investors are cautioned that a security rating is not a recommendation to buy, sell or hold securities, that it is subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

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RISK FACTORS

Before you invest in our notes, you should carefully consider the risks described below. In addition, you should carefully consider any risks set forth in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, and Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, both of which are incorporated by reference in this prospectus supplement. See also *Where You Can Find More Information* about future filings which we will make with the SEC, some of which may contain additional risk factors, and are incorporated by reference into this prospectus supplement. If any of the risks actually occurs, our business, financial condition, results of operations and cash flows could be harmed.

Any failure to meet our debt obligations could harm our business, financial condition and results of operations.

As of October 30, 2008, we had consolidated short-term debt outstanding of \$778.7 million. We also have \$140.3 million of letters of credit outstanding. In addition, as of October 30, 2008, we have scheduled maturities of long-term debt aggregating \$205.6 million due prior to October 30, 2009, including TNMP's \$167.7 million aggregate principal amount of 6.25% senior unsecured notes due January 15, 2009 and \$36.0 million aggregate principal amount of PNM pollution control revenue bonds that will be remarketed in July 2009.

PNMR also has outstanding \$350.0 million aggregate principal amount of 9.25% Senior Notes, Series A due May 15, 2015. Together with our subsidiaries, we may incur substantially more debt in the future. While the indenture governing the notes does restrict our ability to incur additional indebtedness under it, PNMR and its subsidiaries may issue more debt under other indentures.

As of October 30, 2008, PNMR had \$209.0 million of availability under its \$610.0 million of liquidity arrangements. The liquidity arrangements consist of \$600.0 million from the PNMR Revolving Facility and \$10.0 million from local lines of credit. As of October 30, 2008, First Choice had \$61.5 million of availability under its \$300.0 million sublimit under the PNMR Revolving Facility. Any borrowings made by First Choice under this sublimit are guaranteed by PNMR.

PNMR has established a commercial paper program under which it may issue up to \$400.0 million in commercial paper for up to 270 days. The commercial paper is unsecured and the proceeds are used for short-term cash management needs. The PNMR Revolving Facility serves as support for the outstanding commercial paper. As a result, the aggregate borrowings under the commercial paper program and the PNMR Revolving Facility cannot exceed the \$600.0 million limit under the PNMR Revolving Facility. This commercial paper program is currently suspended and no commercial paper has been issued since March 11, 2008.

As of October 30, 2008, PNM had \$658.5 million of liquidity arrangements. The liquidity arrangements consist of \$400.0 million from an unsecured revolving credit facility (the PNM Revolving Facility), \$150.0 million from a delayed draw term loan facility which expires April 30, 2009 (the PNM Delayed Draw Term Facility), \$100.0 million from a letter of credit facility which expires April 30, 2009 (the PNM Letter of Credit Facility) and \$8.5 million in local lines of credit. As of October 30, 2008, PNM had borrowed \$340.0 million and had \$26.5 million in letters of credit outstanding under the PNM Revolving Facility, had no borrowings under the PNM Delayed Draw Term Facility, had no borrowings under the PNM Letter of Credit Facility and had no borrowings under the local lines of credit.

PNM has a commercial paper program under which PNM may issue up to \$300.0 million in commercial paper for up to 365 days. The commercial paper is unsecured and the proceeds are used for short-term cash management needs.

The PNM Revolving Facility serves as support for PNM's outstanding commercial paper so that the aggregate borrowing under both programs cannot exceed the \$400.0 million limit under the PNM Revolving Facility. This commercial paper program is currently suspended and no commercial paper has been issued since March 11, 2008.

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As of October 30, 2008, TNMP had \$200.0 million of liquidity arrangements consisting of a revolving credit facility which expires in May 2009 (the TNMP Revolver). In March 2008, TNMP executed a \$150.0 million term loan credit agreement (the TNMP Term Loan Agreement) and in April 2008, TNMP drew down the full \$150.0 million under the TNMP Term Loan Agreement for the purpose of redeeming certain TNMP senior unsecured notes. Consistent with the TNMP Term Loan Agreement and certain amendments thereto, the amount borrowed thereunder was repaid in October 2008 with funds borrowed under the TNMP Revolver. On October 31, 2008, TNMP entered into a \$100.0 million term loan credit agreement with two lenders (the TNMP Bridge Facility) to provide an additional source of funds that would be available in order to repay TNMP s \$167.7 million of senior unsecured notes that mature January 15, 2009. The TNMP Bridge Facility allows for original lenders under the TNMP Bridge Facility or new lenders to increase the total commitment under the facility up to a maximum of \$150.0 million. TNMP is in discussions with several other potential lenders to obtain commitments to fill out the facility. The TNMP Bridge Facility provides for a single draw of funds after January 1, 2009 and through January 15, 2009 solely for the purpose of paying the principal of TNMP s senior unsecured notes upon their maturity on January 15, 2009. Any amount drawn prior to or on January 15, 2009 will be due March 30, 2009. The facility will expire on January 15, 2009 if funds are not drawn by January 15, 2009. In the event the total commitment under the facility has not been increased by existing or new lenders from \$100.0 million to \$150.0 million on or before January 15, 2009, there will be no obligation for the lenders to make loans to TNMP on or before such date unless PNMR agrees to provide funds to bring the total available to TNMP to \$150.0 million. As of October 31, 2008, TNMP had borrowed \$150.0 million under the TNMP Revolver and had no borrowings under the TNMP Bridge Facility.

We and our subsidiaries are exploring financial alternatives to meet our debt obligations, including TNMP s obligation to repay its \$167.7 million of senior unsecured notes due January 15, 2009 and any obligation to repay any related borrowings under the TNMP Bridge Facility on March 30, 2009, and we currently believe that our and our subsidiaries internal cash generation, credit arrangements, and access to capital markets will provide sufficient resources to meet capital requirements and retire or refinance the obligations described above at maturity. To cover the difference in the amounts and timing of cash generation and cash requirements, we intend to use short-term borrowings under current liquidity arrangements described above and future liquidity arrangements that we may enter into.

The credit ratings of PNMR s debt were recently downgraded and are below investment grade and there has also been an overall deterioration of the credit markets in general. If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a further reduction of our credit ratings, which could harm our ability to incur additional indebtedness on acceptable terms and would result in an increase in the interest rates applicable under our credit facilities. Our cash flow and capital resources may be insufficient to pay interest and principal on our debt in the future, including payments on the notes. If that should occur, our capital raising or debt restructuring measures may be unsuccessful or inadequate to meet our scheduled debt service obligations, which could cause us to default on our obligations and further impair our liquidity.

To the extent that we or our subsidiaries incur new debt either under applicable indentures or pursuant to the facilities described above, this new debt will be combined with our current debt levels and the risks described herein and incorporated by reference could substantially increase.

We are a holding company and must rely on cash from our subsidiaries and EnergyCo to make payments on the notes.

We are a holding company and thus our investments in our subsidiaries and EnergyCo are our primary assets. Substantially all of our operations are conducted by our subsidiaries and EnergyCo. Consequently, our operating cash

flow and our ability to service our indebtedness depends upon the operating cash flow of our subsidiaries and EnergyCo and the payment of funds by them to us in the

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form of dividends or other distributions. Our subsidiaries and EnergyCo are separate legal entities that have no obligation to pay any amounts due pursuant to our obligations or to make any funds available for that purpose, whether by dividends or otherwise. In addition, each entity's ability to pay dividends to us depends on any statutory, regulatory and/or contractual restrictions that may be applicable to each one, which may include requirements to maintain minimum levels of equity ratios, working capital or other assets.

Our utility subsidiaries are regulated by various state utility commissions which generally possess broad powers to ensure that the needs of the utility customers are being met. Specifically, as part of the order approving our formation as a holding company, the NMPRC placed certain restrictions on the ability of one of our primary subsidiaries, PNM, to pay dividends to us. The order states that PNM shall not pay dividends that will cause its debt rating to go below investment grade. Furthermore, the order provides that PNM cannot pay dividends in any year, as determined on a rolling four-quarter basis, in excess of net earnings for that year, with certain rollovers for prior earnings not distributed, without prior NMPRC approval. In January 2003, the NMPRC modified this dividend restriction to allow PNM to dividend earnings as well as equity contributions made by us back to us. Additionally, PNM is subject to various financial covenants that limit the transfer of assets, through dividends or other means. As of September 30, 2008, the amount of retained earnings of our subsidiaries not subject to dividend restrictions, under the most restrictive of such tests, was approximately \$211.6 million, assuming that there is no violation of the order providing that PNM shall not pay dividends that cause its credit rating to go below investment grade. In September 2008, PNM paid a dividend of \$40.0 million to PNMR, which was used for the repayment of short term debt, but PNM has not paid any other dividends to PNMR since 2005. To the extent that the state commissions attempt to impose further restrictions on the ability of our utility subsidiaries to pay dividends to us, it could adversely affect our ability to make payments on the notes.

The notes will be effectively subordinated to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries. In the event of the bankruptcy, insolvency, liquidation or reorganization of the business of one of our subsidiaries, creditors and holders of preferred stock of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. As of September 30, 2008, our subsidiaries PNM and TNMP had approximately \$1,713.6 million aggregate principal amount of short-term and long-term debt outstanding (excluding intercompany loans) and cumulative preferred stock with aggregate liquidation amount of \$11.5 million outstanding.

PNMR and PNM cannot make any assurances that the proposed sale of PNM's natural gas operations will be consummated, and failure to complete the transaction would result in the incurrence of costs, the amounts of which could adversely impact PNMR's and PNM's future business and financial results, and could affect our ability to make payments on our debt obligations.

Consummation of the PNM natural gas operations sale is subject to various conditions and there is no assurance that all of the various conditions will be satisfied. In addition, there is a provision that no terms can be imposed in connection with the final regulatory approvals that could reasonably be expected to have a material adverse effect or impose any material adverse requirements on the buyer or its affiliates, operations or assets. If the transaction contemplated by the Gas Assets Agreement is not consummated by January 12, 2009, such agreement will terminate pursuant to its terms, subject to a six-month extension under certain circumstances.

If the gas operations sale is not completed for any reason:

we will not receive the \$620 million sale price for the natural gas operations and will not be able to utilize the after-tax proceeds from the sale to, among other things, make payments on our debt obligations,

we will not receive the termination fee of \$15 million related to the termination of our Agreement and Plan of Merger with Continental and its subsidiary under which we would

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have acquired an electric distribution and transmission business serving approximately 36,000 customers in 28 counties in north, west and central Texas for \$202.5 million in cash,

we will not receive any benefit despite having incurred certain costs relating to the proposed transaction that are payable whether or not the transaction is completed, including legal, consulting and accounting fees, and having had management focused on completing the proposed transaction, instead of on pursuing another business strategy, including acquisition or investment opportunities that could have been beneficial to us, and

as a result of these and other factors, PNM's and PNM's business, financial results and financial condition could be adversely affected.

We may not have sufficient funds to repurchase the notes if we experience a change in control.

We are required, under the terms of the notes, to offer to purchase all of the outstanding notes if we experience a change of control. If a change of control were to occur, we cannot assure you that we would have sufficient funds to repay debt outstanding or to purchase the notes, or any other securities that we may issue in the future that have a similar provision. We expect that we would require additional financing from third parties to fund any such purchases but we cannot assure you that we would be able to obtain such financing. Our failure to repay holders tendering notes upon a change of control would result in an event of default under the notes. See Description of Notes Repurchase at the Option of Holders Change of Control.

An active trading market for the notes may not develop, especially if we purchase a substantial portion of the notes in the remarketing.

There is currently no public market for the notes. We do not plan to list the notes on any national securities exchange or automated dealer quotation system and, consequently, an active trading market for the notes may not develop.

In addition, because we may purchase up to \$90.0 million aggregate principal amount of the notes, there may be only approximately \$10.0 million aggregate principal amount of notes outstanding after the remarketing. The trading market for the remaining notes may not be liquid and market prices may fluctuate significantly depending on the volume of trading in the notes. The liquidity of any trading market in the notes, and the market price quoted for the notes, also may be adversely affected by changes in the overall market for these securities and by changes in our financial performance or prospects. Moreover, we may determine from time to time in the future to purchase additional notes through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, which would further create a limited market for the notes.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, and other documents that we file with the SEC that relate to future events or our expectations, projections, estimates, intentions, goals, targets and strategies, are made pursuant to the Private Securities Litigation Reform Act of 1995. Forward-looking statements often can be identified by the words believe, expect, anticipate, estimate or similar expressions. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and we assume no obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Since actual results may differ materially from those expressed or implied by these forward-looking statements, we caution readers not to place undue reliance on these statements. Our business, financial condition, cash flow and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include:

Conditions affecting our ability to access the financial markets or EnergyCo's access to additional debt financing following the utilization of its existing credit facility, including actions by ratings agencies affecting our credit ratings and the credit ratings of our operating subsidiaries, the economic downturn, and current turmoil in the credit markets,

State and federal regulatory and legislative decisions and actions, including the PNM and TNMP electric rate cases filed in 2008,

The risk that the closing of the pending sale of the PNM natural gas utility may not occur due to regulatory or other reasons,

The performance of our generating units and transmission systems, including the Palo Verde Nuclear Generating Station, the San Juan Generating Station, the Four Corners Plant, and EnergyCo generating units, and transmission systems,

The risk that EnergyCo is unable to identify and implement profitable acquisitions, including development of the Cedar Bayou IV Generating Station, or that PNM and ECJV will not agree to make additional capital contributions to EnergyCo,

The potential unavailability of cash from our subsidiaries or EnergyCo due to regulatory, statutory or contractual restrictions,

The impacts of the decline in the values of marketable equity securities on the trust funds maintained to provide pension and other postretirement benefits, including the levels of funding and expense,

The outcome of any appeals of the PUCT order in the stranded cost true-up proceeding,

The ability of First Choice to attract and retain customers,

Changes in Electric Reliability Council of Texas protocols,

Changes in the cost of power acquired by First Choice,

Collections experience,

Insurance coverage available for claims made in litigation,

Fluctuations in interest rates,

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Weather,

Water supply,

Changes in fuel costs,

The risk that PNM Electric may incur fuel and purchased power costs that exceed the cap allowed under its emergency FPPAC,

Availability of fuel supplies,

The effectiveness of risk management and commodity risk transactions,

Seasonality and other changes in supply and demand in the market for electric power,

Variability of wholesale power prices and natural gas prices,

Volatility and liquidity in the wholesale power markets and the natural gas markets,

Uncertainty regarding the ongoing validity of government programs for emission allowances,

Changes in the competitive environment in the electric and natural gas industries,

The ability to secure long-term power sales,

The risk that we, our subsidiaries and EnergyCo may have to commit to substantial capital investments and incur additional operating costs to comply with new environmental control requirements including possible future requirements to address concerns about global climate change,

The risks associated with completion of generation, including pollution control equipment at the San Juan Generating Station, and the EnergyCo Cedar Bayou IV Generating Station, transmission, distribution and other projects, including construction delays and unanticipated cost overruns,

The outcome of legal proceedings, including pending appeals of PNM's electric and gas rate cases and the emergency FPPAC,

Changes in applicable accounting principles, and

The performance of state, regional and national economies.

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USE OF PROCEEDS

The remarketing agents will remit to U.S. Bank National Association, as collateral agent, the proceeds from the remarketing of the notes currently held as components of the Units. The collateral agent will pay to us 100% of the aggregate principal amount of the remarketed notes currently held as components of the Units, to satisfy in full the obligation of the holders of those Units to purchase our common stock and/or preferred stock which we must issue on November 17, 2008. Any remaining proceeds from the remarketing will be remitted to the holders of the Units whose notes were sold in the remarketing.

We may purchase and cancel up to \$90.0 million aggregate principal amount of the notes. If we purchase \$90.0 million aggregate principal amount of the notes, we will have approximately \$10.0 million in cash remaining after the purchase of such notes and the sale of our common stock and/or preferred stock, which we expect to use to pay down outstanding borrowings under the PNMR Revolving Facility. Our borrowings under the PNMR Revolving Facility as of October 30, 2008, totaled \$288.7 million at a weighted average interest rate of 5.33%. Amounts borrowed under the PNMR Revolving Facility were used for general corporate purposes.

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The following table shows our capitalization at September 30, 2008, on an actual basis and as adjusted to reflect the remarketing of the notes (assuming that we purchase and cancel \$90.0 million principal amount of the notes in the remarketing) and the settlement of the stock purchase contracts that are components of the Units (assuming that we issue preferred stock to the holder of the Units in settlement of all of the stock purchase contracts that are part of the Units), as well as the application of the estimated net proceeds therefrom, all as described in Use of Proceeds. On October 31, 2008, we received notice from the holder of the Units that it has elected to purchase preferred stock under the stock purchase contracts that are part of the Units. This election is revocable at any time prior to November 17, 2008. You should read this table together with our historical financial statements and the accompanying notes incorporated by reference into this prospectus supplement.

	September 30, 2008	
	Actual	As Adjusted
	(dollar amounts in thousands)	
Short-term debt of PNMR	\$ 288,667	\$ 278,667 ⁽¹⁾
Short-term debt of PNM	340,000	340,000
Short-term debt of TNMP	150,000	150,000
Current installments of long-term debt	205,561	205,561
Total short-term debt and current installments of long-term debt	984,228	974,228
Long-term debt, excluding current installments:		
9.25% Senior Notes, Series A, due 2015	350,000	350,000
% Senior Notes due 2010 (initially the 5.1% Senior Notes due 2010)	100,000	10,000
Long-term debt of PNM	1,019,870	1,019,870
Other long-term debt, including unamortized discounts of \$157	11,141	11,141
Long-term debt of TNMP		
Total long-term debt, excluding current installments	1,481,011	1,391,011
PNM cumulative preferred stock	11,529	11,529
PNMR convertible preferred stock, Series A, issued and outstanding: 0 shares actual; 477,800 shares as adjusted		100,000
Common stockholders' equity:		
Common stock issued and outstanding: 86,454,111 shares actual and as adjusted	1,287,555	1,287,044 ⁽²⁾
Accumulated other comprehensive income	25,514	25,514
Retained earnings	411,743	411,743
Total common stockholders' equity	1,724,812	1,724,301