Docket No.
18661

PNM RESOURCES INC

FORM 10-Q
(Quarterly Report)

Filed 08/09/10 for the Period Ending 06/30/10

Address	ALVARADO SQUARE NEW MEXICO ALBUQUERQUE, NM 87158
Telephone	5052412700
CIK	0001108426
Symbol	PNM
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

367

Table of Contents

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

Commission File Number	Name of Registrants, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
001-32462	PNM Resources, Inc. (A New Mexico Corporation) Alvarado Square Albuquerque, New Mexico 87158 (505) 241-2700	85-0468296
001-06986	Public Service Company of New Mexico (A New Mexico Corporation) Alvarado Square Albuquerque, New Mexico 87158 (505) 241-2700	85-0019030
002-97230	Texas-New Mexico Power Company (A Texas Corporation) 577 N. Garden Ridge Blvd. Lewisville, Texas 75067 (972) 420-4189	75-0204070

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

PNM Resources, Inc. ("PNMR")	YES ✓	NO _
Public Service Company of New Mexico ("PNM")	YES ✓	NO _
Texas-New Mexico Power Company ("TNMP")	YES _	NO ✓

(NOTE: As a voluntary filer, not subject to the filing requirements, TNMP filed all reports under Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether the each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PNMR	YES _	NO _
PNM	YES _	NO _
TNMP	YES _	NO _

Table of Contents

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company
PNMR	✓	—	—	—
PNM	—	—	✓	—
TNMP	—	—	✓	—

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ___ NO ✓

As of July 29, 2010, 86,673,174 shares of common stock, no par value per share, of PNMR were outstanding.

The total number of shares of common stock of PNM outstanding as of July 29, 2010 was 39,117,799 all held by PNMR (and none held by non-affiliates).

The total number of shares of common stock of TNMP outstanding as of July 29, 2010 was 6,358 all held indirectly by PNMR (and none held by non-affiliates).

PNM AND TNMP MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H) (1) (a) AND (b) OF FORM 10-Q AND ARE THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (H) (2).

This combined Form 10-Q is separately filed by PNMR, PNM and TNMP. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants. When this Form 10-Q is incorporated by reference into any filing with the SEC made by PNMR, PNM or TNMP, as a registrant, the portions of this Form 10-Q that relate to each other registrant are not incorporated by reference therein.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARY
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

INDEX

GLOSSARY

Definitions:

Afton	Afton Generating Station
AG	New Mexico Attorney General
ALJ	Administrative Law Judge
Altura	Optim Energy Twin Oaks, LP
Altura Cogen	Optim Energy Altura Cogen, LLC (the CoGen Lyondell Power Generation Facility)
AOCI	Accumulated Other Comprehensive Income
APS	Arizona Public Service Company, which is the operator and a co-owner of PVNGS and Four Corners
BACT	Best Available Control Technology
BART	Best Available Retrofit Technology
BHP	BHP Billiton, Ltd, the parent of SJCC
Board	Board of Directors of PNMR
BTU	British Thermal Unit
Cal PX	California Power Exchange
Cal ISO	California Independent System Operator
Cascade	Cascade Investment, L.L.C.
CCB	Coal Combustion Byproducts
CO_2	Carbon Dioxide
Continental	Continental Energy Systems, L.L.C.
CRHC	Cap Rock Holding Corporation, a subsidiary of Continental
CTC	Competition Transition Charge
Decatherm	Million BTUs
Delta	Delta-Person Limited Partnership
DOE	Department of Energy
ECJV	ECJV Holdings, LLC
EIB	New Mexico Environment Improvement Board
EIP	Eastern Interconnection Project
EPA	United States Environmental Protection Agency
EPE	El Paso Electric
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
First Choice	First Choice Power, L. P. and Subsidiaries, a subsidiary of TNP
Four Corners	Four Corners Power Plant
FPPAC	Fuel and Purchased Power Adjustment Clause
GAAP	Generally Accepted Accounting Principles in the United States of America
GEaR	Gross Earnings at Risk
GHG G	Greenhouse Gas Emissions
GWh	Gigawatt hours
IBEW	International Brotherhood of Electrical Workers, Local 611
KWh	Kilowatt Hour
LBB	Lehman Brothers Bank, FSB, a subsidiary of LBH
LBH	Lehman Brothers Holdings Inc.
LCC	Lyondell Chemical Company
LIBOR	London Interbank Offered Rate
Lordsburg	Lordsburg Generating Station
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
Navajo Acts	Navajo Nation Air Pollution Prevention and Control Act, the Navajo Nation Safe Drinking Water Act, and the Navajo Nation Pesticide Act
NDT	Nuclear Decommissioning Trusts for PVNGS
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NMGC	New Mexico Gas Company, a subsidiary of Continental

NMED	New Mexico Environment Department
NMPRC	New Mexico Public Regulation Commission
NO_x	Nitrogen Oxide
NOI	Notice of Inquiry
NRC	United States Nuclear Regulatory Commission
NSR	New Source Review
O&M	Operations and Maintenance
OCI	Other Comprehensive Income
Optim Energy	Optim Energy, LLC, a limited liability company, owned 50% by each of PNMR and ECJV
PBO	Projected Benefit Obligation
PCRBs	Pollution Control Revenue Bonds
PG&E	Pacific Gas and Electric Co.
PNM	Public Service Company of New Mexico and Subsidiaries, a subsidiary of PNMR
PNM Facility	PNM's $400 Million Unsecured Revolving Credit Facility
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR Facility	PNMR's $600 Million Unsecured Revolving Credit Facility
PPA	Power Purchase Agreement
PRP	Potential Responsible Party
PSD	Prevention of Significant Deterioration
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
RCRA	Resource Conservation and Recovery Act
RCT	Reasonable Cost Threshold
REC	Renewable Energy Certificates
REP	Retail Electricity Provider
RMC	Risk Management Committee
SCE	Southern Cal Edison Company
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
SJCC	San Juan Coal Company, a subsidiary of BHP
SJGS	San Juan Generating Station
SO_2	Sulfur Dioxide
SPS	Southwestern Public Service Company
SRP	Salt River Project
S&P	Standard and Poor's Ratings Services
TECA	Texas Electric Choice Act
Term Loan Agreement	PNM's $300 Million Unsecured Delayed Draw Term Loan Facility
TNMP	Texas-New Mexico Power Company and Subsidiaries, a subsidiary of TNP
TNMP Revolving Credit Facility	TNMP's $75 Million Unsecured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries, a subsidiary of PNMR
Twin Oaks	Assets of Twin Oaks Power, L.P. and Twin Oaks Power III, L.P.
Valencia	Valencia Energy Facility
VaR	Value at Risk

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(In thousands, except per share amounts)			
Electric Operating Revenues	$ 405,817	$ 401,110	$789,212	$ 786,974
Operating Expenses:				
Cost of energy	151,181	175,253	342,069	356,501
Administrative and general	62,420	61,550	125,205	123,687
Energy production costs	51,811	47,134	105,696	95,691
Regulatory disallowances	-	27,286	-	27,286
Depreciation and amortization	37,376	36,946	74,655	73,017
Transmission and distribution costs	15,672	16,398	29,562	30,416
Taxes other than income taxes	13,683	11,665	27,869	25,595
Total operating expenses	332,143	376,232	705,056	732,193
Operating income	73,674	24,878	84,156	54,781
Other Income and Deductions:				
Interest income	5,083	11,223	10,110	16,446
Gains (losses) on investments held by NDT	(1,342)	2,469	400	(1,913)
Other income	1,171	5,157	11,370	28,321
Equity in net earnings (loss) of Optim Energy	(3,858)	(7,353)	(8,210)	(5,958)
Other deductions	(3,173)	(2,272)	(5,014)	(4,632)
Net other income (deductions)	(2,119)	9,224	8,656	32,264
Interest Charges	31,761	31,817	63,171	60,766
Earnings before Income Taxes	39,794	2,285	29,641	26,279
Income Taxes (Benefit)	13,492	(1,134)	8,552	6,452
Earnings from Continuing Operations	26,302	3,419	21,089	19,827
Earnings (Loss) from Discontinued Operations, net of Income Taxes (Benefit) of $0, $(1,861), $0 and $38,166	-	(2,611)	-	73,241
Net Earnings	26,302	808	21,089	93,068
Earnings Attributable to Valencia Non-controlling Interest	(3,292)	(2,775)	(6,396)	(5,354)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Net Earnings (Loss) Attributable to PNMR	$ 22,878	$ (2,099)	$ 14,429	$ 87,450
Earnings from Continuing Operations Attributable to PNMR per Common Share:				
Basic	$ 0.25	$ 0.01	$ 0.16	$ 0.16
Diluted	$ 0.25	$ 0.01	$ 0.16	$ 0.16
Net Earnings (Loss) Attributable to PNMR per Common Share:				
Basic	$ 0.25	$ (0.02)	$ 0.16	$ 0.96
Diluted	$ 0.25	$ (0.02)	$ 0.16	$ 0.96
Dividends Declared per Common Share	$ 0.125	$ 0.125	$ 0.250	$ 0.250

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 19,097	$ 14,641
Accounts receivable, net of allowance for uncollectible accounts of $10,598 and $12,783	106,104	106,593
Unbilled revenues	89,371	78,274
Other receivables	65,212	77,672
Materials, supplies, and fuel stock	52,246	50,631
Regulatory assets	28,589	7,476
Commodity derivative instruments	40,556	50,619
Income taxes receivable	72,637	129,171
Other current assets	92,878	63,128
Total current assets	566,690	578,205
Other Property and Investments:		
Investment in PVNGS lessor notes	121,454	137,511
Equity investment in Optim Energy	199,676	195,666
Investments held by NDT	135,496	137,032
Other investments	22,481	25,528
Non-utility property, net of accumulated depreciation of $1,984 and $3,779	7,668	7,923
Total other property and investments	486,775	503,660
Utility Plant:		
Plant in service and plant held for future use	4,747,334	4,693,530
Less accumulated depreciation and amortization	1,621,441	1,611,496
	3,125,893	3,082,034
Construction work in progress	179,652	181,078
Nuclear fuel, net of accumulated amortization of $21,689 and $19,456	78,985	69,337
Net utility plant	3,384,530	3,332,449
Deferred Charges and Other Assets:		
Regulatory assets	523,482	524,136
Goodwill	321,310	321,310
Other intangible assets, net of accumulated amortization of $5,357 and $5,272	26,482	26,567
Commodity derivative instruments	3,251	2,413
Other deferred charges	91,002	71,181
Total deferred charges and other assets	965,527	945,607
	$ 5,403,522	$ 5,359,921

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 285,000	$ 198,000
Current installments of long-term debt	2,125	2,125
Accounts payable	110,956	111,432
Accrued interest and taxes	42,233	45,341
Regulatory liabilities	1,463	908
Commodity derivative instruments	37,106	24,025
Other current liabilities	112,260	181,442
Total current liabilities	591,143	563,273
Long-term Debt	1,565,527	1,565,206
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	543,730	531,166
Accumulated deferred investment tax credits	19,304	20,518
Regulatory liabilities	352,364	350,324
Asset retirement obligations	73,903	70,963
Accrued pension liability and postretirement benefit cost	275,519	281,923
Commodity derivative instruments	10,727	4,549
Other deferred credits	127,039	121,394
Total deferred credits and other liabilities	1,402,586	1,380,837
Total liabilities	3,559,256	3,509,316
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock of Subsidiary		
without mandatory redemption requirements ($100 stated value, 10,000,000 shares authorized: issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNMR Convertible Preferred Stock, Series A without mandatory redemption requirements (no stated value, 10,000,000 shares authorized: issued and outstanding 477,800 shares)	100,000	100,000
PNMR common stockholders' equity:		
Common stock outstanding (no par value, 120,000,000 shares authorized: issued and outstanding 86,673,174 shares)	1,290,247	1,289,890
Accumulated other comprehensive income (loss), net of income taxes	(55,128)	(46,057)
Retained earnings	408,882	405,884
Total PNMR common stockholders' equity	1,644,001	1,649,717
Non-controlling interest in Valencia	88,736	89,359
Total equity	1,832,737	1,839,076
	$ 5,403,522	$ 5,359,921

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 21,089	$ 93,068
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	89,608	84,843
PVNGS firm sales contract revenue	(28,856)	(28,152)
Bad debt expense	13,035	25,672
Deferred income taxes (benefit)	15,649	(55,915)
Equity in net (earnings) loss of Optim Energy	8,210	5,958
Net unrealized (gains) losses on derivatives	24,752	(2,307)
Realized (gains) losses on investments held by NDT	(400)	1,913
Gain on sale of PNM Gas	-	(101,090)
(Gain) loss on reacquired debt	466	(7,316)
Stock based compensation expense	1,962	1,520
Regulatory disallowances	-	27,286
Increase in legal reserve	-	12,600
Other, net	1,822	(281)
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(23,643)	(37,067)
Materials, supplies, and fuel stock	(1,615)	921
Other current assets	(34,909)	(2,928)
Other assets	(5,739)	666
Accounts payable	(476)	(93,073)
Accrued interest and taxes	55,024	51,641
Other current liabilities	(44,694)	(7,218)
Other liabilities	(15,083)	(5,111)
Net cash flows from operating activities	76,202	(34,370)
Cash Flows From Investing Activities:		
Utility plant additions	(136,296)	(132,045)
Proceeds from sales of investments held by NDT	36,285	75,850
Purchases of investments held by NDT	(37,850)	(77,236)
Proceeds from sale of PNM Gas	-	640,620
Transaction costs for sale of PNM Gas	-	(10,924)
Return of principal on PVNGS lessor notes	14,216	11,913
Investments in Optim Energy	(16,407)	-
Other, net	1,416	1,613
Net cash flows from investing activities	(138,636)	509,791

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	**2009**
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	87,000	(559,667)
Long-term borrowings	403,845	309,242
Repayment of long-term debt	(403,845)	(314,079)
Issuance of common stock	-	1,213
Proceeds from stock option exercise	778	-
Purchase of common stock to satisfy stock awards	(2,269)	(907)
Excess tax (shortfall) from stock-based payment arrangements	(114)	(645)
Dividends paid	(23,127)	(23,103)
Equity transactions with Valencia's owner	(7,019)	(6,712)
Payments received on PVNGS firm-sales contracts	15,233	15,347
Debt issuance costs and other	(3,592)	(10,732)
Net cash flows from financing activities	66,890	(590,043)
Change in Cash and Cash Equivalents	4,456	(114,622)
Cash and Cash Equivalents at Beginning of Period	14,641	140,644
Cash and Cash Equivalents at End of Period	$ 19,097	$ 26,022
Supplemental Cash Flow Disclosures:		
Interest paid, net of capitalized interest	$ 61,188	$ 58,937
Income taxes paid (refunded), net	$ (63,408)	$ 49,039

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PNMR COMMON STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Accumulated Other Comprehensive		Total PNMR Common
	Number of Shares	Aggregate Value	Income (Loss)	Retained Earnings	Stockholders' Equity
	(Dollars in thousands)				
Balance at December 31, 2009	86,673,174	$1,289,890	$ (46,057)	$ 405,884	$1,649,717
Proceeds from stock option exercise	-	778	-	-	778
Purchase of common stock to satisfy stock awards	-	(2,269)	-	-	(2,269)
Tax shortfall from stock-based compensation arrangements	-	(114)	-	-	(114)
Stock based compensation expense	-	1,962	-	-	1,962
Net earnings attributable to PNMR	-	-	-	14,429	14,429
Total other comprehensive income (loss)	-	-	(9,071)	-	(9,071)
Dividends declared on common stock	-	-	-	(11,431)	(11,431)
Balance at June 30, 2010	86,673,174	$1,290,247	$ (55,128)	$ 408,882	$1,644,001

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Net Earnings	$ 26,302	$ 808	$ 21,089	$ 93,068
Other Comprehensive Income (Loss):				
Unrealized Gain (Loss) on Investment Securities :				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $1,280, $(2,778), $58, and $(3,034)	(1,953)	4,239	(88)	4,629
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $720, $118, $1,330, and $313	(1,098)	(180)	(2,029)	(478)
Pension liability adjustment, net of income tax benefit of $0, $0, $147, and $42,487	-	-	(223)	(64,830)
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $1,197, $688, $(3,859), and $(10,106)	(1,978)	(1,038)	5,639	14,098
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $4,035, $4,555, $8,227, and $10,656	(6,055)	(6,337)	(12,370)	(15,426)
Total Other Comprehensive Income (Loss)	(11,084)	(3,316)	(9,071)	(62,007)
Comprehensive Income (Loss)	15,218	(2,508)	12,018	31,061
Comprehensive Income Attributable to Valencia Non-controlling Interest	(3,292)	(2,775)	(6,396)	(5,354)
Preferred Stock Dividend Requirements of Subsidiary	(132)	(132)	(264)	(264)
Comprehensive Income (Loss) Attributable to PNMR	$ 11,794	$ (5,415)	$ 5,358	$ 25,443

The accompanying notes, as they relate to PNMR, are an integral part of these financial statements.

Table of Contents

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Electric Operating Revenues	$ 243,060	$ 226,541	$ 473,596	$ 458,496
Operating Expenses:				
Cost of energy	79,639	91,125	166,073	192,657
Administrative and general	37,498	30,373	75,184	60,063
Energy production costs	51,809	49,522	105,694	100,466
Regulatory disallowances	-	26,615	-	26,615
Depreciation and amortization	22,924	22,925	45,776	45,354
Transmission and distribution costs	10,323	10,727	19,631	19,801
Taxes other than income taxes	7,477	5,695	15,391	13,495
Total operating expenses	209,670	236,982	427,749	458,451
Operating income (loss)	33,390	(10,441)	45,847	45
Other Income and Deductions:				
Interest income	5,081	12,557	10,015	18,518
Gains (losses) on investments held by NDT	(1,342)	2,469	400	(1,913)
Other income	1,145	3,517	11,182	3,833
Other deductions	(1,794)	(996)	(2,415)	(1,861)
Net other income (deductions)	3,090	17,547	19,182	18,577
Interest Charges	18,385	17,392	36,462	34,599
Earnings (Loss) before Income Taxes	18,095	(10,286)	28,567	(15,977)
Income Taxes (Benefit)	5,901	(5,140)	8,822	(8,488)
Earnings (Loss) from Continuing Operations	12,194	(5,146)	19,745	(7,489)
Earnings (Loss) from Discontinued Operations, net of Income Taxes (Benefit) of $0, $(1,861), $0 and $38,166	-	(2,611)	-	73,241
Net Earnings (Loss)	12,194	(7,757)	19,745	65,752
Earnings Attributable to Valencia Non-controlling Interest	(3,292)	(2,775)	(6,396)	(5,354)
Net Earnings (Loss) Attributable to PNM	8,902	(10,532)	13,349	60,398
Preferred Stock Dividends Requirements	(132)	(132)	(264)	(264)
Net Earnings (Loss) Available for PNM Common Stock	$ 8,770	$ (10,664)	$ 13,085	$ 60,134

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,741	$ 1,373
Accounts receivable, net of allowance for uncollectible accounts of $1,483 and $1,483	59,171	70,515
Unbilled revenues	46,463	38,067
Other receivables	58,197	74,120
Affiliate receivables	8,586	33
Materials, supplies, and fuel stock	48,943	47,789
Regulatory assets	28,589	7,476
Commodity derivative instruments	16,461	24,498
Income taxes receivable	33,987	59,299
Other current assets	47,272	40,199
Total current assets	353,410	363,369
Other Property and Investments:		
Investment in PVNGS lessor notes	121,454	137,511
Investments held by NDT	135,496	137,032
Other investments	6,523	7,473
Non-utility property	976	976
Total other property and investments	264,449	282,992
Utility Plant:		
Plant in service and plant held for future use	3,724,293	3,677,974
Less accumulated depreciation and amortization	1,263,802	1,260,903
	2,460,491	2,417,071
Construction work in progress	162,772	159,793
Nuclear fuel, net of accumulated amortization of $21,689 and $19,456	78,985	69,337
Net utility plant	2,702,248	2,646,201
Deferred Charges and Other Assets:		
Regulatory assets	373,724	375,131
Goodwill	51,632	51,632
Other deferred charges	68,061	55,841
Total deferred charges and other assets	493,417	482,604
	$ 3,813,524	$ 3,775,166

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt	$ 192,000	$ 118,000
Accounts payable	59,788	57,473
Affiliate payables	7,753	13,481
Accrued interest and taxes	23,533	24,124
Regulatory liabilities	1,463	908
Commodity derivative instruments	4,266	1,509
Other current liabilities	77,348	126,273
Total current liabilities	366,151	341,768
Long-term Debt	1,055,740	1,055,733
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	376,487	364,498
Accumulated deferred investment tax credits	19,304	20,518
Regulatory liabilities	310,149	316,215
Asset retirement obligations	73,003	70,099
Accrued pension liability and postretirement benefit cost	260,687	265,791
Commodity derivative instruments	1,446	556
Other deferred credits	94,599	90,425
Total deferred credits and liabilities	1,135,675	1,128,102
Total liabilities	2,557,566	2,525,603
Commitments and Contingencies (See Note 9)		
Cumulative Preferred Stock		
without mandatory redemption requirements ($100 stated value, 10,000,000 authorized: issued and outstanding 115,293 shares)	11,529	11,529
Equity:		
PNM common stockholder's equity		
Common stock outstanding (no par value, 40,000,000 shares authorized: issued and outstanding 39,117,799 shares)	1,018,776	1,018,776
Accumulated other comprehensive income (loss), net of income taxes	(57,874)	(51,807)
Retained earnings	194,791	181,706
Total PNM common stockholder's equity	1,155,693	1,148,675
Non-controlling interest in Valencia	88,736	89,359
Total equity	1,244,429	1,238,034
	$ 3,813,524	$ 3,775,166

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

Table of Contents

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 19,745	$ 65,752
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	56,975	52,399
PVNGS firm sales contract revenue	(28,856)	(28,152)
Deferred income taxes (benefit)	18,777	(56,529)
Net unrealized losses on derivatives	5,605	1,956
Realized (gains) losses on investments held by NDT	(400)	1,913
Gain on sale of PNM Gas	-	(101,090)
Loss on reacquired debt	466	-
Regulatory disallowances	-	26,615
Increase in legal reserve	-	12,600
Other, net	3,564	1,003
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	1,845	(3,317)
Materials, supplies, and fuel stock	(1,154)	650
Other current assets	(17,477)	2,320
Other assets	3,395	6,664
Accounts payable	2,315	(57,480)
Accrued interest and taxes	24,721	44,004
Other current liabilities	(44,593)	(18,290)
Other liabilities	(14,521)	(2,994)
Net cash flows from operating activities	30,407	(51,976)
Cash Flows From Investing Activities:		
Utility plant additions	(118,467)	(108,265)
Proceeds from sales of NDT investments	36,285	75,850
Purchases of NDT investments	(37,850)	(77,236)
Proceeds from sale of PNM Gas	-	640,620
Transaction cost for sale of PNM Gas	-	(10,924)
Return of principal on PVNGS lessor notes	14,216	13,680
Other, net	945	1,351
Net cash flows from investing activities	(104,871)	535,076

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

Table of Contents

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2010	2009
	(In thousands)	
Cash Flows From Financing Activities:		
Short-term borrowings (repayments), net	74,000	(295,000)
Long-term borrowings	403,845	-
Repayment of long-term debt	(403,845)	-
Payments received on PVNGS firm-sales contracts	15,233	15,347
Equity transactions with Valencia's owner	(7,019)	(6,712)
Dividends paid	(264)	(235,258)
Debt issuance costs and other	(3,118)	-
Net cash flows from financing activities	78,832	(521,623)
Change in Cash and Cash Equivalents	4,368	(38,523)
Cash and Cash Equivalents at Beginning of Period	1,373	46,621
Cash and Cash Equivalents at End of Period	$ 5,741	$ 8,098
Supplemental Cash Flow Disclosures:		
Interest paid, net of capitalized interest	$ 37,656	$ 34,456
Income taxes paid (refunded), net	$ (35,189)	$ 45,740

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PNM COMMON STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total PNM Common Stockholder's Equity
	Number of Shares	Aggregate Value			
			(Dollars in thousands)		
Balance at December 31, 2009	39,117,799	$1,018,776	$ (51,807)	$181,706	$ 1,148,675
Net earnings attributable to PNM	-	-	-	13,349	13,349
Total other comprehensive income (loss)	-	-	(6,067)	-	(6,067)
Dividends on preferred stock	-	-	-	(264)	(264)
Balance at June 30, 2010	39,117,799	$ 1,018,776	$ (57,874)	$194,791	$ 1,155,693

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Net Earnings (Loss)	$ 12,194	$ (7,757)	$19,745	$ 65,752
Other Comprehensive Income (Loss):				
Unrealized Gain (Loss) on Investment Securities:				
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $1,280, $(2,778), $58, and $(3,034)	(1,953)	4,239	(88)	4,629
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $720, $118, $1,330, and $313	(1,098)	(180)	(2,029)	(478)
Pension liability adjustment, net of income tax benefit of $0, $0, $147, and $42,487	-	-	(223)	(64,830)
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $(71), $519, $(2,767), and $(6,940)	109	(791)	4,223	10,590
Reclassification adjustment for (gains) included in net earnings, net of income tax expense of $2,540, $3,330, $5,210, and $7,179	(3,876)	(5,081)	(7,950)	(10,953)
Total Other Comprehensive Income (Loss)	(6,818)	(1,813)	(6,067)	(61,042)
Comprehensive Income (Loss)	5,376	(9,570)	13,678	4,710
Comprehensive Income Attributable to Valencia Non-controlling Interest	(3,292)	(2,775)	(6,396)	(5,354)
Comprehensive Income (Loss) Attributable to PNM	$ 2,084	$ (12,345)	$ 7,282	$ (644)

The accompanying notes, as they relate to PNM, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(In thousands)			
Electric Operating Revenues:				
Non-affiliates	$ 42,934	$ 36,640	$ 81,525	$ 68,562
Affiliate	9,635	10,179	19,221	19,482
Total electric operating revenues	52,569	46,819	100,746	88,044
Operating Expenses:				
Cost of energy	9,057	8,694	18,107	17,289
Administrative and general	8,818	7,720	18,312	16,049
Regulatory disallowances	-	670	-	670
Depreciation and amortization	10,040	8,915	20,135	17,513
Transmission and distribution costs	5,348	5,669	9,929	10,610
Taxes other than income taxes	4,865	4,719	9,581	9,396
Total operating expenses	38,128	36,387	76,064	71,527
Operating income	14,441	10,432	24,682	16,517
Other Income and Deductions:				
Interest income	-	9	-	9
Other income	309	494	673	911
Other deductions	(26)	(23)	(43)	(48)
Net other income (deductions)	283	480	630	872
Interest Charges	7,953	7,938	15,822	12,033
Earnings Before Income Taxes	6,771	2,974	9,490	5,356
Income Taxes	2,665	1,208	3,740	2,169
Net Earnings	$ 4,106	$ 1,766	$ 5,750	$ 3,187

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 72	$ 138
Accounts receivable	15,902	11,773
Unbilled revenues	6,350	7,239
Other receivables	2,342	579
Affiliate receivables	5,670	5,151
Materials and supplies	3,085	2,591
Income taxes receivable	6,389	10,762
Other current assets	1,761	1,062
Total current assets	41,571	39,295
Other Property and Investments:		
Other investments	270	270
Non-utility property	2,242	2,111
Total other property and investments	2,512	2,381
Utility Plant:		
Plant in service and plant held for future use	869,323	864,260
Less accumulated depreciation and amortization	295,252	292,608
	574,071	571,652
Construction work in progress	7,721	9,832
Net utility plant	581,792	581,484
Deferred Charges and Other Assets:		
Regulatory assets	149,758	149,005
Goodwill	226,665	226,665
Other deferred charges	10,833	10,225
Total deferred charges and other assets	387,256	385,895
	$ 1,013,131	$ 1,009,055

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2010	December 31, 2009
	(In thousands, except share information)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term debt – affiliate	$ 24,000	$ 23,500
Accounts payable	4,691	6,243
Affiliate payables	772	2,281
Accrued interest and taxes	13,730	16,505
Other current liabilities	3,742	2,194
Total current liabilities	46,935	50,723
Long-term Debt	310,024	309,712
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	133,442	136,944
Regulatory liabilities	42,215	34,109
Asset retirement obligations	804	772
Accrued pension liability and postretirement benefit cost	14,832	16,132
Other deferred credits	10,218	8,872
Total deferred credits and other liabilities	201,511	196,829
Total liabilities	558,470	557,264
Commitments and Contingencies (See Note 9)		
Common Stockholder's Equity:		
Common stock outstanding ($10 par value, 12,000,000 shares authorized: issued and outstanding 6,358 shares)	64	64
Paid-in-capital	441,543	443,187
Accumulated other comprehensive income (loss), net of income taxes	(1,310)	(74)
Retained earnings	14,364	8,614
Total common stockholder's equity	454,661	451,791
	$ 1,013,131	$ 1,009,055

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	**2009**
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings	$ 5,750	$ 3,187
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	22,147	20,469
Regulatory disallowances	-	670
Deferred income taxes (benefit)	(3,444)	(1,740)
Other, net	(633)	165
Changes in certain assets and liabilities:		
Accounts receivable and unbilled revenues	(3,240)	(2,122)
Materials and supplies	(494)	(222)
Other current assets	(1,153)	(2,884)
Other assets	(1,730)	(727)
Accounts payable	(1,552)	(6,442)
Accrued interest and taxes	1,598	(3,049)
Other current liabilities	(1,391)	2,322
Other liabilities	(689)	(1,366)
Net cash flows from operating activities	15,169	8,261
Cash Flows From Investing Activities:		
Utility plant additions	(13,967)	(19,006)
Net cash flows from investing activities	(13,967)	(19,006)

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2010	**2009**
	(In thousands)	
Cash Flow From Financing Activities:		
Short-term borrowings (repayments), net	-	(150,000)
Short-term borrowings, net – affiliate	500	30,400
Long-term borrowings	-	309,242
Repayment of long-term debt	-	(167,690)
Dividends paid	(1,644)	(1,421)
Debt issuance costs and other	(124)	(9,831)
Net cash flows from financing activities	(1,268)	10,700
Change in Cash and Cash Equivalents	(66)	(45)
Cash and Cash Equivalents at Beginning of Period	138	124
Cash and Cash Equivalents at End of Period	$ 72	$ 79
Supplemental Cash Flow Disclosures:		
Interest paid, net of capitalized interest	$ 14,050	$ 9,716
Income taxes paid (refunded), net	$ 2,940	$ 4,593

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY

(Unaudited)

	Common Stock			Accumulated Other Comprehensive		Total Common
	Number of Shares	Aggregate Value	Paid-in Capital	Income (Loss)	Retained Earnings	Stockholder's Equity
				(Dollars in thousands)		
Balance at December 31, 2009	6,358	$ 64	$ 443,187	$ (74)	$ 8,614	$ 451,791
Net earnings	-	-	-	-	5,750	5,750
Total other comprehensive income (loss)	-	-	-	(1,236)	-	(1,236)
Dividends declared on common stock	-	-	(1,644)	-	-	(1,644)
Balance at June 30, 2010	6,358	$ 64	$ 441,543	$ (1,310)	$ 14,364	$ 454,661

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

Table of Contents

TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES
A WHOLLY OWNED SUBSIDIARY OF PNM RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(In thousands)			
Net Earnings	$ 4,106	$ 1,766	$5,750	$ 3,187
Other Comprehensive Income (Loss):				
Fair Value Adjustment for Cash Flow Hedges:				
Change in fair market value, net of income tax (expense) benefit of $541, $(497), $891, and $(198)	(976)	898	(1,607)	357
Reclassification adjustment for losses included in net earnings, net of income tax (benefit) of $(103), $(60), $(205), and $(60)	186	108	371	108
Total Other Comprehensive Income (Loss)	(790)	1,006	(1,236)	465
Comprehensive Income	$ 3,316	$ 2,772	$4,514	$ 3,652

The accompanying notes, as they relate to TNMP, are an integral part of these financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Significant Accounting Policies and Responsibility for Financial Statements

Financial Statement Preparation

In the opinion of management, the accompanying unaudited interim Condensed Consolidated Financial Statements reflect all normal and recurring accruals and adjustments that are necessary to present fairly the consolidated financial position at June 30, 2010 and December 31, 2009, and the consolidated results of operations and comprehensive income for the three months and six months ended June 30, 2010 and 2009, and cash flows for the six months ended June 30, 2010 and 2009. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated. The results of operations presented in the accompanying Condensed Consolidated Financial Statements are not necessarily representative of operations for an entire year.

These Condensed Consolidated Financial Statements are unaudited, and certain information and note disclosures normally included in the annual Consolidated Financial Statements have been condensed or omitted, as permitted under the applicable rules and regulations. Readers of these financial statements should refer to PNMR's, PNM's and TNMP's audited Consolidated Financial Statements and Notes thereto that are included in their respective 2009 Annual Reports on Form 10-K.

The Notes to Condensed Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. For discussion purposes, this report will use the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP will be indicated as such. Certain amounts in the 2009 Condensed Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2010 financial statement presentation.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events as required by GAAP.

Principles of Consolidation

The Condensed Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNMR's primary subsidiaries are PNM, TNMP, and First Choice. PNM consolidates the PVNGS Capital Trust and Valencia. PNMR shared services' administrative and general expenses, which represent costs that are primarily driven by corporate level activities, are allocated to the business segments. Other significant intercompany transactions between PNMR, PNM, and TNMP include transmission and distribution services; lease, interest, and income tax sharing payments; and dividends paid on common stock. All intercompany transactions and balances have been eliminated. See Note 12.

Restatement

As discussed in Note 12 of Notes to Consolidated Financial Statements in the 2009 Annual Reports on Form 10-K, the actuarial determination of the PBO for the PNM pension plan at December 31, 2009 revealed that there had been an increase in the PBO of $9.6 million due to the retirement of employees transferred to NMGC following the sale of PNM Gas in January 2009. This increase was expensed, similar to a plan curtailment, as required by GAAP and reduced the gain recognized on the sale. The expense for the PBO increase is reflected through a retroactive adjustment of the March 31, 2009 quarter for PNMR and PNM and does not impact the three months ended June 30, 2010. The retroactive adjustment is part of discontinued operations for PNMR and PNM and does not impact earnings from continuing operations or earnings per share from continuing operations. The retroactive adjustment had the following impact on the June 30, 2009 amounts:

	Six Months Ended June 30, 2009	
	As Originally Reported	As Restated
	(In thousands, except per share amounts)	
PNMR		
Net earnings	$ 98,890	$ 93,068
Net earnings (loss) attributable to PNMR	93,272	87,450
Net earnings (loss) attributable to PNMR per common share:		
Basic	1.02	0.96
Diluted	1.02	0.96
PNM		
Net earnings (loss)	71,574	65,752
Net earnings (loss) attributable to PNM	66,220	60,398

(2) Disposition

PNM Gas Sale

On January 12, 2008, PNM reached a definitive agreement to sell its natural gas operations, which comprised the PNM Gas segment, to NMGC, a subsidiary of Continental, for $620.0 million in cash, subject to adjustment based on the actual level of working capital at closing. PNM received an additional $32.9 million related to working capital true-ups, including $20.6 million received at closing. In a separate transaction conditioned upon the sale of the natural gas operations, PNMR proposed to acquire CRHC, Continental's regulated Texas electric transmission and distribution business, for $202.5 million in cash. On July 22, 2008, PNMR and Continental agreed to terminate the agreement for the acquisition of CRHC. Under the termination agreement, Continental agreed to pay PNMR $15.0 million upon the closing of the PNM Gas transaction. PNM completed the sale of PNM Gas on January 30, 2009 and recognized a gain of $67.0 million, after income taxes of $34.1 million in the six months ended June 30, 2009, which is included in discontinued operations. This gain reflects the reduction for the increase in the PBO of the PNM pension plan related to the retirement of employees transferred to NMGC. See Note 1. PNMR recognized an additional pre-tax gain of $15.0 million ($9.1 million after income taxes) due to the CRHC termination payment, which is included in other income in the six months ended June 30, 2009. In connection with the sale, PNM retained obligations under the frozen PNM pension and executive retirement plans for employees transferred to NMGC. PNM had a regulatory asset related to these plans, which was removed from regulatory assets and transferred to AOCI. The after-tax charge to AOCI was $59.0 million. PNM also retained obligations for certain contingent liabilities that existed at the date of sale.

PNM used proceeds from the sale to retire short-term debt and paid a dividend of $220.0 million to PNMR. PNMR used the dividend from PNM and the $15.0 million from Continental to retire debt. There were no material prior relationships between the PNMR and Continental parties other than in respect of the transactions described herein. See Note 14 for financial information concerning PNM Gas, which is classified as discontinued operations in the accompanying financial statements.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(3) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM Electric

PNM Electric includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM Electric provides integrated electricity services that include the generation, transmission and distribution of electricity for retail electric customers in New Mexico, the generation and transmission of electricity for firm requirements customers, and the sale of transmission to third parties. PNM Electric also includes the generation and sale of electricity into the wholesale market. This includes optimization of PNM's jurisdictional assets as well as the capacity excluded from retail rates. FERC has jurisdiction over sales to firm requirements customers, third party transmission, and wholesale market sales.

TNMP Electric

TNMP Electric is a regulated utility operating in Texas. TNMP's operations are subject to traditional rate regulation by the PUCT. TNMP provides regulated transmission and distribution services under the TECA.

PNM Gas

PNM Gas distributed natural gas to most of the major communities in New Mexico, subject to traditional rate regulation by the NMPRC. The customer base of PNM Gas included both sales-service customers and transportation-service customers. PNM Gas purchased natural gas in the open market and sold it at cost to its sales-service customers. As a result, increases or decreases in gas revenues resulting from gas price fluctuations did not impact gross margin or earnings. As described in Note 2, PNM completed the sale of its gas operations on January 30, 2009. PNM Gas is reported as discontinued operations in the accompanying financial statements and is not included in the segment information presented below. Financial information for PNM Gas is presented in Note 14.

First Choice

First Choice is a certified retail electric provider operating in Texas that primarily serves residential, small commercial, and governmental customers. Although First Choice is regulated in certain respects by the PUCT, it is not subject to traditional rate of return regulation.

Optim Energy

Optim Energy is treated as a separate segment for PNMR. PNMR's investment in Optim Energy is held in the Corporate and Other segment and is accounted for using the equity method of accounting. Optim Energy's revenues and expenses are not included in PNMR's consolidated revenues and expenses or the following tables. See Note 11.

Corporate and Other

PNMR Services Company is included in the Corporate and Other segment.

The following tables present summarized financial information for PNMR by reportable segment. Excluding PNM Gas, which is presented as discontinued operations, PNM has only one operating segment. TNMP operates in only one reportable segment. Therefore, tabular segment information is not presented for PNM and TNMP.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNMR SEGMENT INFORMATION

	PNM Electric	TNMP Electric	First Choice	Corporate and Other	Consolidated
Three Months Ended June 30, 2010			(In thousands)		
Operating revenues	$ 243,060	$ 42,934	$ 119,916	$ (93)	$405,817
Intersegment revenues	-	9,635	-	(9,635)	-
Total electric operating revenues	243,060	52,569	119,916	(9,728)	405,817
Cost of energy	79,639	9,057	72,121	(9,636)	151,181
Gross margin	163,421	43,512	47,795	(92)	254,636
Other operating expenses	107,107	19,031	21,253	(3,805)	143,586
Depreciation and amortization	22,924	10,040	210	4,202	37,376
Operating income (loss)	33,390	14,441	26,332	(489)	73,674
Interest income	5,081	-	11	(9)	5,083
Equity in net earnings (loss) of Optim Energy	-	-	-	(3,858)	(3,858)
Other income (deductions)	(1,991)	283	(90)	(1,546)	(3,344)
Net interest charges	(18,385)	(7,953)	(387)	(5,036)	(31,761)
Earnings (loss) before income taxes	18,095	6,771	25,866	(10,938)	39,794
Income taxes (benefit)	5,901	2,665	9,313	(4,387)	13,492
Earnings (loss) from continuing operations	12,194	4,106	16,553	(6,551)	26,302
Valencia non-controlling interest	(3,292)	-	-	-	(3,292)
Subsidiary preferred stock dividends	(132)	-	-	-	(132)
Segment earnings (loss) from continuing operations attributable to PNMR	$ 8,770	$ 4,106	$ 16,553	$ (6,551)	$ 22,878
Six Months Ended June 30, 2010					
Operating revenues	$ 473,596	$ 81,525	$ 234,306	$ (215)	$ 789,212
Intersegment revenues	-	19,221	-	(19,221)	-
Total electric operating revenues	473,596	100,746	234,306	(19,436)	789,212
Cost of energy	166,073	18,107	177,111	(19,222)	342,069
Gross margin	307,523	82,639	57,195	(214)	447,143
Other operating expenses	215,900	37,822	41,701	(7,091)	288,332
Depreciation and amortization	45,776	20,135	473	8,271	74,655
Operating income	45,847	24,682	15,021	(1,394)	84,156
Interest income	10,015	-	13	82	10,110
Equity in net earnings (loss) of Optim Energy	-	-	-	(8,210)	(8,210)
Other income (deductions)	9,167	630	(98)	(2,943)	6,756
Net interest charges	(36,462)	(15,822)	(697)	(10,190)	(63,171)
Earnings (loss) before income taxes	28,567	9,490	14,239	(22,655)	29,641
Income taxes (benefit)	8,822	3,740	5,139	(9,149)	8,552
Earnings (loss) from continuing operations	19,745	5,750	9,100	(13,506)	21,089
Valencia non-controlling interest	(6,396)	-	-	-	(6,396)
Subsidiary preferred stock dividends	(264)	-	-	-	(264)
Segment earnings (loss) from continuing operations attributable to PNMR	$ 13,085	$ 5,750	$ 9,100	$(13,506)	$ 14,429
At June 30, 2010:					
Total Assets	$3,813,524	$1,013,131	$ 239,035	$ 337,832	$ 5,403,522
Goodwill	$ 51,632	$ 226,665	$ 43,013	$ -	$ 321,310

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	PNM Electric	TNMP Electric	First Choice	Corporate and Other	Consolidated
			(In thousands)		
Three Months Ended June 30, 2009					
Operating revenues	$ 226,541	$ 36,640	$ 137,950	$ (21)	$ 401,110
Intersegment revenues	-	10,179	-	(10,179)	-
Total electric operating revenues	226,541	46,819	137,950	(10,200)	401,110
Cost of energy	91,125	8,694	85,613	(10,179)	175,253
Gross margin	135,416	38,125	52,337	(21)	225,857
Other operating expenses	122,932	18,778	26,081	(3,758)	164,033
Depreciation and amortization	22,925	8,915	469	4,637	36,946
Operating income (loss)	(10,441)	10,432	25,787	(900)	24,878
Interest income	12,557	9	14	(1,357)	11,223
Equity in net earnings (loss) of Optim Energy	-	-	-	(7,353)	(7,353)
Other income (deductions)	4,990	471	(81)	(26)	5,354
Net interest charges	(17,392)	(7,938)	(777)	(5,710)	(31,817)
Earnings (loss) before income taxes	(10,286)	2,974	24,943	(15,346)	2,285
Income taxes (benefit)	(5,140)	1,208	8,989	(6,191)	(1,134)
Earnings (loss) from continuing operations	(5,146)	1,766	15,954	(9,155)	3,419
Valencia non-controlling interest	(2,775)	-	-	-	(2,775)
Subsidiary preferred stock dividends	(132)	-	-	-	(132)
Segment earnings (loss) from continuing operations attributable to PNMR	$ (8,053)	$ 1,766	$ 15,954	$ (9,155)	$ 512
Six Months Ended June 30, 2009					
Operating revenues	$ 458,485	$ 68,562	$ 260,124	$ (197)	$ 786,974
Intersegment revenues	11	19,482	-	(19,493)	-
Total electric operating revenues	458,496	88,044	260,124	(19,690)	786,974
Cost of energy	192,657	17,289	166,036	(19,481)	356,501
Gross margin	265,839	70,755	94,088	(209)	430,473
Other operating expenses	220,440	36,725	55,413	(9,903)	302,675
Depreciation and amortization	45,354	17,513	987	9,163	73,017
Operating income	45	16,517	37,688	531	54,781
Interest income	18,518	9	49	(2,130)	16,446
Equity in net earnings (loss) of Optim Energy	-	-	-	(5,958)	(5,958)
Other income (deductions)	59	863	(81)	20,935	21,776
Net interest charges	(34,599)	(12,033)	(1,776)	(12,358)	(60,766)
Earnings (loss) before income taxes	(15,977)	5,356	35,880	1,020	26,279
Income taxes (benefit)	(8,488)	2,169	12,888	(117)	6,452
Earnings (loss) from continuing operations	(7,489)	3,187	22,992	1,137	19,827
Valencia non-controlling interest	(5,354)	-	-	-	(5,354)
Subsidiary preferred stock dividends	(264)	-	-	-	(264)
Segment earnings (loss) from continuing operations attributable to PNMR	$ (13,107)	$ 3,187	$ 22,992	$ 1,137	$ 14,209
At June 30, 2009:					
Total Assets	$ 3,644,326	$ 984,191	$ 258,827	$ 373,817	$ 5,261,161
Goodwill	$ 51,632	$ 226,665	$ 43,013	$ -	$ 321,310

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(4) Energy Related Derivative Contracts and Fair Value Disclosures

Energy Related Derivative Contracts

The Company is exposed to certain risks relating to its ongoing business operations. The primary objective for the use of derivative instruments, including energy contracts, options, and futures, is to manage price risk associated with forecasted purchases of energy or fuel used to generate electricity, or to manage anticipated generation capacity in excess of forecasted demand from existing customers. Substantially all of the Company's energy related derivative contracts are entered into to manage commodity risk and the Company does not currently engage in speculative trading.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing open positions in the energy markets, primarily on a short-term basis. The Company routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the risk of market fluctuations in wholesale portfolios. The Company monitors the market risk of its commodity contracts using VaR and GEaR calculations to maintain total exposure within management-prescribed limits.

PNM is required to meet the demand and energy needs of its retail and wholesale customers. For PNM's share of PVNGS Unit 3 and the requirements of retail customers not covered under PNM's FPPAC, PNM is exposed to market risk. PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM would be exposed to market risk if its generation capabilities were to be disrupted or if its retail load requirements were to be greater than anticipated. If all or a portion of the net open contract position were required to be covered as a result of the aforementioned unexpected situations, commitments would have to be met through market purchases. As discussed in Note 10, on April 20, 2010, PNM received NMPRC approval of a hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. PNM has begun hedging activities.

First Choice is responsible for energy supply related to the sale of electricity to retail customers in Texas. TECA contains no provisions for the specific recovery of fuel and purchased power costs. The rates charged to First Choice customers are negotiated with each customer. As a result, changes in purchased power costs can affect First Choice's operating results with respect to margins and changes in retail customer load requirements. First Choice is exposed to market risk to the extent that it has not hedged fixed price load commitments or to the degree that market price movements affect customer retention, customer additions or customer attrition. Additionally, volumetric fluctuations in First Choice retail load requirements due to weather or other conditions may subject First Choice to market risk. First Choice's strategy is to minimize its exposure to fluctuations in market energy prices by matching sales contracts with supply instruments designed to preserve targeted margins.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, the Company accounts for its various derivative instruments for the purchase and sale of energy based on the Company's intent. Energy contracts that meet the definition of a derivative under GAAP and do not qualify for the normal sales and purchases exception are recorded on the balance sheet at fair value at each period end. The changes in fair value are recognized in earnings unless specific hedge accounting criteria are met. Derivatives that meet the normal sales and purchases exception are not marked to market but rather recorded in results of operations when the underlying transactions settle.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For derivative transactions meeting the definition of a cash flow hedge, the Company documents the relationships between the hedging instruments and the items being hedged. This documentation includes the strategy that supports executing the specific transaction and the methods utilized to assess the effectiveness of the hedges. Changes in the fair value of contracts qualifying for cash flow hedge accounting are included in AOCI to the extent effective. Ineffectiveness gains and losses were immaterial for all periods presented. Gains or losses related to cash flow hedge instruments, including those de-designated, are reclassified from AOCI when the hedged transaction settles and impacts earnings. Amounts related to contracts that will be settled in the next twelve months are shown as current assets and current liabilities. Based on market prices at June 30, 2010, after-tax gains of $8.2 million for PNMR and $9.0 million for PNM would be reclassified from AOCI into earnings during the next twelve months. However, the actual amount reclassified into earnings will vary due to future changes in market prices. As of June 30, 2010, the maximum length of time over which the Company's designated cash flow hedges are hedging its exposure to the variability in future cash flows is through December 2010.

The contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as either economic hedges or trading transactions. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. Trading transactions include speculative transactions, which the Company ceased in 2008.

Fair value is defined under GAAP as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk, including the effect of the Company's own credit standing. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

At June 30, 2010, amounts recognized for the right to reclaim cash collateral were $4.2 million for PNMR and $2.7 million for PNM. PNMR and PNM had no obligations to return cash collateral at June 30, 2010.

The following tables do not include activity related to PNM Gas. See Note 14.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Commodity Derivatives

Commodity derivative instruments are summarized as follows:

	Economic Hedges		Trading Transactions		Qualified Cash Flow Hedges	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	(In thousands)					
PNMR						
Current assets	$ 16,165	$ 15,728	$ 9,453	$ 13,889	$ 14,938	$ 21,002
Deferred charges	3,251	2,413	-	-	-	-
	19,416	18,141	9,453	13,889	14,938	21,002
Current liabilities	(28,265)	(11,375)	(8,841)	(12,650)	-	-
Long-term liabilities	(10,727)	(4,549)	-	-	-	-
	(38,992)	(15,924)	(8,841)	(12,650)	-	-
Net	$ (19,576)	$ 2,217	$ 612	$ 1,239	$ 14,938	$ 21,002
PNM						
Current assets	$ 1,523	$ 3,496	$ -	$ -	$ 14,938	$ 21,002
Deferred charges	-	-	-	-	-	-
	1,523	3,496	-	-	14,938	21,002
Current liabilities	(4,266)	(1,509)	-	-	-	-
Long-term liabilities	(1,446)	(556)	-	-	-	-
	(5,712)	(2,065)	-	-	-	-
Net	$ (4,189)	$ 1,431	$ -	$ -	$ 14,938	$ 21,002

First Choice decided to end speculative trading in 2008 and flattened remaining speculative positions. The PNMR trading transactions column of the above table includes all balances related to the remaining flattened speculative positions of First Choice. No significant additional costs are expected related to speculative trading.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the effect of commodity derivative instruments on earnings and OCI, excluding income tax effects. For cash flow hedges, the earnings impact reflects the reclassification from AOCI when the hedged transactions settle.

	Economic Hedges June 30,		Trading Transactions June 30,		Qualified Cash Flow Hedges June 30,	
	2010	2009	2010	2009	2010	2009
	(In thousands)					
Three Months Ended						
PNMR						
Electric operating revenues	$ (121)	$ 1,210	$ (36)	$ 100	$ 6,539	$ 8,462
Cost of energy	2,720	4,096	-	-	(771)	(6,047)
Total gain (loss)	$ 2,599	$ 5,306	$ (36)	$ 100	$ 5,768	$ 2,415
Recognized in OCI					$ (5,581)	$ (5,014)
PNM						
Electric operating revenues	$ (121)	$ 1,210	$ -	$ 19	$ 6,539	$ 8,462
Cost of energy	(37)	910	-	-	(41)	(52)
Total gain (loss)	$ (158)	$ 2,120	$ -	$ 19	$ 6,498	$ 8,410
Recognized in OCI					$ (6,311)	$ (9,721)
Six Months Ended						
PNMR						
Electric operating revenues	$ (2,007)	$ 3,788	$ (33)	$ 95	$ 13,288	$ 18,137
Cost of energy	(29,229)	(9,969)	-	-	(1,246)	(8,207)
Total gain (loss)	$(31,236)	$ (6,181)	$ (33)	$ 95	$ 12,042	$ 9,930
Recognized in OCI					$ (4,818)	$ (6,246)
PNM						
Electric operating revenues	$ (2,007)	$ 3,788	$ -	$ 80	$ 13,288	$ 18,137
Cost of energy	(3,662)	(10,873)	-	-	14	(5)
Total gain (loss)	$ (5,669)	$ (7,085)	$ -	$ 80	$ 13,302	$ 18,132
Recognized in OCI					$ (6,078)	$ (602)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Commodity contract volume positions are presented in Decatherms for gas related contracts and in MWh for power related contracts. The table below presents PNMR's and PNM's net buy (sell) volume positions:

	Decatherms			MWh		
	Economic Hedges	Trading Transactions	Qualified Cash Flow Hedges	Economic Hedges	Trading Transactions	Qualified Cash Flow Hedges
June 30, 2010						
PNMR	24,560,000	(989,317)	-	2,445,796	-	(397,530)
PNM	4,157,500	-	-	233,625	-	(397,530)
December 31, 2009						
PNMR	17,852,500	(1,963,293)	-	1,658,101	-	(788,400)
PNM	6,087,500	-	-	468,525	-	(788,400)

In connection with managing its commodity risks, the Company enters into master agreements with certain counterparties. If the Company is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral from the Company if the Company's credit rating is downgraded; other agreements provide that the counterparty may request collateral to provide it with "adequate assurance" that the Company will perform; and others have no provision for collateral.

The table below presents information about the Company's contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. Contractual liability represents commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. The table only reflects cash collateral that has been posted under the existing contracts and does not reflect letters of credit under the Company's revolving credit facilities that have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchases and sales, offset by existing cash collateral and by any offsets available under master netting agreements, including both asset and liability positions.

Contingent Feature – Credit Rating Downgrade	Contractual Liability	Existing Cash Collateral	Net Exposure
		(In thousands)	
June 30, 2010			
PNMR	$ 18,644	$ 2,600	$ 13,916
PNM	$ 2,972	$ 2,600	$ 333
December 31, 2009			
PNMR	$ 17,124	$ 1,000	$ 14,104
PNM	$ 1,211	$ 1,000	$ 37

Sale of Power from PVNGS Unit 3

In April 2008, PNM entered into three separate contracts for the sale of capacity and energy related to its entire ownership interest in PVNGS 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. These amounts were recorded as deferred revenue and are being amortized over the life of the contracts. At June 30, 2010 and December 31, 2009, $14.2 million and $29.5

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

million were included in other current liabilities related to these contracts. The prepayments received under the firm contracts, as well as required subsequent monthly payments on them, are shown as a financing activity in the Condensed Consolidated Statement of Cash Flows. The firm contracts are considered energy derivatives and are accounted for as cash flow hedges with changes in fair value included in AOCI. The contingent contract is accounted for as a normal sale.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Condensed Consolidated Balance Sheets approximate fair value for cash, temporary investments, receivables, and payables due to the short period of maturity. Available-for-sale securities are carried at fair value.

Available-for-sale securities for PNMR and PNM consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS. The NDT holds equity and fixed income securities. The fair value and gross unrealized gains of investments in available-for-sale securities are presented in the following table. PNMR and PNM do not have any unrealized losses on available-for-sale securities.

	June 30, 2010		December 31, 2009	
	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value
		(In thousands)		
Equity securities:				
Domestic value	$ 2,519	$ 20,517	$ 1,684	$ 21,458
Domestic growth	7,484	36,415	8,901	38,132
International and other	1,149	8,637	1,558	9,985
Fixed income securities:				
Municipals	1,894	37,352	1,715	36,901
U.S. Government	616	21,296	25	20,451
Corporate and other	649	8,553	309	8,006
Cash investments	-	2,726	-	2,099
	$14,311	$135,496	$ 14,192	$ 137,032

The proceeds and gross realized gains and losses on the disposition of available-for-sale securities for PNMR and PNM are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
		(In thousands)		
Proceeds from sales	$ 15,586	$ 33,394	$ 36,285	$ 74,931
Gross realized gains	$ 1,526	$ 1,886	$ 3,431	$ 3,421
Gross realized (losses)	$ (510)	$ (1,342)	$ (1,872)	$ (5,659)

Held-to-maturity securities are those investments in debt securities that the Company has the ability and intent to hold until maturity. Held-to-maturity securities consist of the investment in PVNGS lessor notes and certain items within other investments, including the EIP lessor note.

The Company has no available-for-sale or held-to-maturity securities for which carrying value exceeds fair value. There are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

At June 30, 2010, the available-for-sale and held-to-maturity debt securities had the following final maturities:

	Fair Value		
	Available-for-Sale	Held-to-Maturity	
	PNMR and PNM	PNMR	PNM
	(In thousands)		
Within 1 year	$ 1,302	$ 18	$ 18
After 1 year through 5 years	15,294	178,725	164,044
After 5 years through 10 years	12,282	4,361	-
Over 10 years	38,323	-	-
	$67,201	$183,104	$164,062

The carrying amount and fair value of held-to-maturity debt securities and other non-derivative financial instruments (including current maturities) are:

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
PNMR				
Long-term debt	$1,567,652	$1,668,389	$1,567,331	$1,627,986
Investment in PVNGS lessor notes	$ 152,463	$ 157,666	$ 159,936	$ 169,863
Other investments	$ 22,481	$ 28,257	$ 25,528	$ 34,078
PNM				
Long-term debt	$1,055,740	$1,058,125	$1,055,733	$1,044,516
Investment in PVNGS lessor notes	$ 152,463	$ 157,666	$ 159,936	$ 169,863
Other investments	$ 6,523	$ 7,280	$ 7,473	$ 8,457
TNMP				
Long-term debt	$ 310,024	$ 393,881	$ 309,712	$ 368,350
Other investments	$ 270	$ 270	$ 270	$ 270

The fair value of long-term debt shown above was primarily determined using quoted market values, as were certain items included in other investments. To the extent market values were not available, fair value was determined by discounting the cash flows for the instrument using quoted interest rates for comparable instruments.

Other Fair Value Disclosures

The Company determines the fair values of its derivative and other instruments based on the hierarchy established in GAAP, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs used in determining fair values for the Company consist of internal valuation models.

For NDT investments, Level 2 fair values are provided by the trustee utilizing a pricing service. The pricing provider predominantly uses the market approach using bid side market value based upon a hierarchy of information

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

for specific securities or securities with similar characteristics. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. Fair values of Level 3 commodity derivatives are determined in a manner similar to those in Level 2, but are at a lower level in the hierarchy due to low transaction volume or market illiquidity that significantly limit the availability of observable market data.

Derivatives and Investments

The fair values of derivatives and investments that are recorded at fair value on the Condensed Consolidated Balance Sheets are as follows:

	Total (1)	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010		(In thousands)		
PNMR and PNM				
NDT investments				
Cash and equivalents	$ 2,726	$ 2,726	$ -	$ -
Equity securities:				
Domestic value	20,517	20,517	-	-
Domestic growth	36,415	36,415	-	-
International and other	8,637	8,637	-	-
Fixed income securities:				
Municipals	37,352	-	37,352	-
U.S. government	21,296	15,988	5,308	-
Corporate and other	8,553	3	8,550	-
Total NDT investments	$ 135,496	$ 84,286	$ 51,210	$ -
PNMR				
Commodity derivative assets	$ 43,807	$ 12,342	$ 30,905	$ 174
Commodity derivative liabilities	(47,833)	(23,516)	(23,479)	(452)
Net	$ (4,026)	$ (11,174)	$ 7,426	$ (278)
PNM				
Commodity derivative assets	$ 16,461	$ 295	$ 16,166	$ -
Commodity derivative liabilities	(5,712)	(1,538)	(4,174)	-
Net	$ 10,749	$ (1,243)	$ 11,992	$ -

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Total [1]	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009		(In thousands)		
PNMR and PNM				
NDT investments				
Cash and equivalents	$ 2,099	$ 2,099	$ -	$ -
Equity securities:				
Domestic value	21,458	21,458	-	-
Domestic growth	38,132	38,132	-	-
International and other	9,985	9,985	-	-
Fixed income securities:				
U.S. government	20,451	15,135	5,316	-
Municipals	36,901	-	36,901	-
Corporate and other	8,006	-	8,006	-
Total NDT investments	$137,032	$ 86,809	$ 50,223	$ -
PNMR				
Commodity derivative assets	$ 53,032	$ 9,097	$ 43,510	$ 320
Commodity derivative liabilities	(28,574)	(10,534)	(17,863)	(72)
Net	$ 24,458	$ (1,437)	$ 25,647	$ 248
PNM				
Commodity derivative assets	$ 24,498	$ -	$ 24,498	$ -
Commodity derivative liabilities	(2,065)	(958)	(1,090)	(17)
Net	$ 22,433	$ (958)	$ 23,408	$ (17)

[1] The Level 1, 2 and 3 columns in the above table is presented based on the nature of each instrument. The total column is presented based on the balance sheet classification of the instruments and reflect unit of account reclassifications between commodity derivative assets and commodity derivative liabilities of $0.4 million for PNMR and zero for PNM at June 30, 2010 and $0.1 million for PNMR and zero for PNM at December 31, 2009. There were no transfers between levels during the three and six months ended June 30, 2010.

Table of Contents

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A reconciliation of the changes in Level 3 fair value measurements is as follows:

	PNMR		PNM	
	June 30,		June 30,	
	2010	2009	2010	2009
Three Months Ended	(In thousands)			
Balance at beginning of period	$ 85	$ (2,211)	$ -	$ (1,865)
Total gains (losses) included in earnings	(437)	(14)	-	(14)
Total gains (losses) included in other comprehensive income	-	(359)	-	-
Purchases, issuances, and settlements [1]	74	948	-	750
Balance at end of period	$ (278)	$ (1,636)	$ -	$ (1,129)
Total gains (losses) included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the end of the period	$ (363)	$ 685	$ -	$ 685
Six Months Ended				
Balance at beginning of period	$ 248	$ (409)	$ (17)	$ (409)
Total gains (losses) included in earnings	(814)	(2,102)	(128)	(2,102)
Total gains (losses) included in other comprehensive income	-	(772)	-	-
Purchases, issuances, and settlements [1]	288	1,647	145	1,382
Balance at end of period	$ (278)	$ (1,636)	$ -	$ (1,129)
Total gains (losses) included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the end of the period	$ (543)	$ (786)	$ -	$ (786)

(1) Includes fair value reversal of contracts settled, unearned and prepaid option premiums received and paid during the period for contracts still held at end of period.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Gains and losses (realized and unrealized) for Level 3 fair value measurements included in earnings are reported in operating revenues and cost of energy as follows:

	PNMR		PNM	
	June 30,		June 30,	
	2010	2009	2010	2009
Three Months Ended		(In thousands)		
Gains (losses) included in earnings:				
Electric operating revenues	$ -	$ 78	$ -	$ 78
Cost of energy	(437)	(92)	-	(92)
Total	$ (437)	$ (14)	$ -	$ (14)
Change in unrealized gains or losses related to assets still held at the reporting date:				
Electric operating revenues	$ -	$ -	$ -	$ -
Cost of energy	(363)	685	-	685
Total	$ (363)	$ 685	$ -	$ 685
Six Months Ended				
Gains (losses) included in earnings:				
Electric operating revenues	$ -	$ 237	$ -	$ 237
Cost of energy	(814)	(2,339)	(128)	(2,339)
Total	$ (814)	$ (2,102)	$ (128)	$ (2,102)
Change in unrealized gains or losses related to assets still held at the reporting date:				
Electric operating revenues	$ -	$ -	$ -	$ -
Cost of energy	(543)	(786)	-	(786)
Total	$ (543)	$ (786)	$ -	$ (786)

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(5) Earnings Per Share

In accordance with GAAP, dual presentation of basic and diluted earnings (loss) per share has been presented in the Condensed Consolidated Statements of Earnings (Loss) of PNMR. Information regarding the computation of earnings (loss) per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Earnings (Loss) Attributable to PNMR:				
Earnings from continuing operations	$26,302	$ 3,419	$ 21,089	$19,827
Earnings from continuing operations attributable to Valencia Non-controlling Interest	(3,292)	(2,775)	(6,396)	(5,354)
Preferred stock dividend requirements of subsidiary	(132)	(132)	(264)	(264)
Earnings from continuing operations attributable to PNMR	22,878	512	14,429	14,209
Earnings (loss) from discontinued operations	-	(2,611)	-	73,241
Net Earnings (Loss) Attributable to PNMR	$22,878	$(2,099)	$ 14,429	$87,450
Average Number of Common Shares:				
Outstanding during period	86,673	86,632	86,673	86,593
Equivalents from convertible preferred stock (Note 7)	4,778	4,778	4,778	4,778
Vested awards of restricted stock	109	-	102	-
Average Shares - Basic	91,560	91,410	91,553	91,371
Dilutive Effect of Common Stock Equivalents (a):				
Stock options and restricted stock	273	126	141	117
Average Shares - Diluted	91,833	91,536	91,694	91,488
Per Share of Common Stock – Basic:				
Earnings from continuing operations	$ 0.25	$ 0.01	$ 0.16	$ 0.16
Earnings (loss) from discontinued operations	-	(0.03)	-	0.80
Net Earnings (Loss)	$ 0.25	$ (0.02)	$ 0.16	$ 0.96
Per Share of Common Stock – Diluted:				
Earnings from continuing operations	$ 0.25	$ 0.01	$ 0.16	$ 0.16
Earnings (loss) from discontinued operations	-	(0.03)	-	0.80
Net Earnings (Loss)	$ 0.25	$ (0.02)	$ 0.16	$ 0.96

(a) Excludes the effect of out-of-the-money options for 3,820,704 shares of common stock at June 30, 2010.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(6) Stock-Based Compensation

Information concerning stock-based compensation plans is contained in Note 13 of Notes to Consolidated Financial Statements in the 2009 Annual Reports on Form 10-K.

Stock Options

The following table summarizes activity in stock option plans for the six months ended June 30, 2010:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contract Life
Outstanding at beginning of period	4,274,019	$ 19.19		
Granted	618,708	$ 12.23		
Exercised	(84,750)	$ 8.92		
Forfeited	(12,505)	$ 10.95		
Expired	(77,046)	$ 24.07		
Outstanding at end of period	4,718,426	$ 18.40	$ 2,299,138	5.97 years
Exercisable at end of period	3,580,016	$ 20.84	$ 1,045,348	5.01 years
Available for future grant*	4,608,716			

* Includes shares available for grants of restricted stock.

The following table provides additional information concerning stock option activity:

Options for PNMR Common Stock	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Weighted-average grant date fair value of options granted	$3.05	$ 1.62
Total intrinsic value of options exercised (in thousands)	$ 329	$ -

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards with the following weighted-average assumptions for options granted in the six months ended June 30, 2010:

Dividend yield	4.09 %
Expected volatility	41.55%
Risk-free interest rates	1.36%
Expected life (years)	4.62

The assumptions above are based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise and post-vesting employment termination behaviors, expected future exercising patterns for these same homogeneous groups and both the implied and historical volatility of PNMR's stock price.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Restricted Stock and Performance Shares

The following table summarizes nonvested restricted stock activity for the six months ended June 30, 2010:

Nonvested Restricted PNMR Common Stock	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at beginning of period	193,941	$ 11.62
Granted	158,375	$ 9.37
Vested	(92,253)	$ 14.17
Forfeited	-	
Nonvested at end of period	260,063	$ 9.34

The total fair value of shares of restricted stock that vested during the six months ended June 30, 2010 was $1.3 million.

During 2009 and 2010, the Company issued performance share agreements to certain executives that are based upon the Company achieving specified performance targets for those respective years. In addition during 2009, the Company issued performance share agreements that are based upon achieving specific performance targets for the period 2009 through 2011. The determination of the number of shares ultimately issued depends on the levels at which the performance criteria are achieved and cannot be determined until after the performance periods end. For the targets based only on 2009 performance, the optimal level was attained resulting in 102,375 shares being awarded in 2010, which will vest through 2013 and are included in the number of shares granted in the above table. For the targets based only on 2010 performance, the Company would issue a maximum of 96,563 shares, which are not included in the above table, if all performance criteria are achieved and the executives remain eligible. For the targets based upon the period 2009 through 2011 performance, the Company would issue a maximum of 39,113 if all performance criteria are achieved and the executives remain eligible.

(7) Capitalization

Information concerning financing activities is contained in Note 6 of Notes to Consolidated Financial Statements in the 2009 Annual Reports on Form 10-K.

Short-term Debt

At December 31, 2009, PNMR and PNM had revolving credit facilities for borrowings up to $600.0 million under the PNMR Facility and $400.0 million under the PNM Facility that primarily expire in 2012. LBB was a lender under the PNMR Facility and the PNM Facility. LBH, the parent of LBB, has filed for bankruptcy protection. Subsequent to the bankruptcy filing by LBH, LBB declined to fund a borrowing request under the PNMR Facility. A replacement bank has taken the place of LBB under the PNM Facility. In March 2010, the PNMR Facility was amended to remove LBB as a lender and reduce the total capacity under the PNMR Facility to $568.0 million. In addition to the reduction in the PNMR Facility related to LBB, the PNMR Facility and the PNM Facility will reduce by $26.0 million and $14.0 million in August 2010 and by an additional $25.0 million and $18.0 million in August 2011 according to their terms. The Company does not believe amending the PNMR Facility to remove LBB or the scheduled reduction in the facilities will have a significant impact on PNMR's and PNM's liquidity. In addition, PNMR and PNM each have a local line of credit amounting to $5.0 million. TNMP has a revolving credit facility for borrowings up to $75.0 million under the TNMP Revolving Credit Facility that expires in April 2011. At June 30, 2010, the weighted average interest rate was 1.60% for the PNMR Facility and 1.00% for the PNM Facility.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Short-term debt outstanding consists of:

Short-term Debt	June 30, 2010	December 31, 2009
	(In thousands)	
PNM		
Revolving credit facility	$ 192,000	$ 118,000
Local lines of credit	-	-
	192,000	118,000
TNMP – Revolving credit facility	-	-
PNMR		
Revolving credit facility	93,000	80,000
Local lines of credit	-	-
	$ 285,000	$ 198,000

At July 29, 2010, PNMR, PNM, and TNMP had $405.0 million, $198.3 million, and $74.7 million of availability under their respective revolving credit facilities and local lines of credit, including reductions of availability due to outstanding letters of credit. Total availability at July 29, 2010, on a consolidated basis, was $678.0 million for PNMR. At July 29, 2010, PNMR and PNM had invested cash of $20.1 million and $5.6 million. TNMP had no such investments.

As of June 30, 2010, TNMP had outstanding borrowings of $24.0 million from PNMR under its intercompany loan agreement.

Financing Activities

In March 2009, TNMP entered into and borrowed $50.0 million under a loan agreement with Union Bank, N. A. (the "2009 Term Loan Agreement"). Through hedging arrangements, TNMP established fixed interest rates for the 2009 Term Loan Agreement of 6.05% for the first three years and 6.30% thereafter. In January 2010, the relationship was modified to reduce the fixed interest rate to 4.80% through March 31, 2012 and to 5.05% thereafter.

In January 2010, PNM entered into a floating-to-fixed interest rate swap with a notional amount of $100.0 million. The effect of this swap is to convert $100.0 million of borrowings under the PNM Facility from an interest rate based on the one-month LIBOR rate to a fixed rate of 1.245% through January 14, 2011, which rate is subject to adjustment in the event PNM's credit ratings are changed.

These arrangements are accounted for as cash flow hedges and the June 30, 2010 pre-tax fair value losses of $1.7 million for the TNMP hedge and $0.1 million for the PNM hedge are included in AOCI and in other current liabilities, except for $0.8 million included in other deferred credits for TNMP, on the Condensed Consolidated Balance Sheets. Amounts reclassified from AOCI are included in interest charges. The fair value determinations were made using Level 2 inputs under GAAP and were determined using forward LIBOR curves under the mid-market convention to discount cash flows over the remaining term of the swap agreements.

On February 10, 2010, PNM filed an application with the NMPRC requesting approvals and authorizations to refund up to $403.8 million of callable PCRBs issued by the City of Farmington, New Mexico and the Maricopa County, Arizona Pollution Control Corporation (the "prior bonds") and to replace the prior bonds with new tax-exempt PCRBs. The proceeds from the prior bonds were used to finance a portion of the cost of certain pollution control systems, facilities and related improvements at SJGS and PVNGS. The NMPRC approved PNM's request on March 11, 2010. On June 9, 2010, $403.8 million of new PCRBs were sold by the City of Farmington, New Mexico and the Maricopa County, Arizona Pollution Control Corporation. The proceeds from the new PCRBs were utilized to retire the prior bonds, including those secured by PNM first mortgage bonds. The new PCRBs are

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

collateralized by PNM senior unsecured notes, similar to PNM's other PCRBs. The new PCRBs were issued in eight separate series and bear interest at rates ranging from 4.00% to 6.25%. The final maturities of the new PCRBs range from 2040 to 2043, although $137.3 million are subject to mandatory tender and repurchase by PNM in 2015 through 2020.

Convertible Preferred Stock

In November 2008, PNMR issued 477,800 shares of Series A convertible preferred stock. The Series A convertible preferred stock is convertible into PNMR common stock in a ratio of 10 shares of common stock for each share of preferred stock. The Series A convertible preferred stock is entitled to receive dividends equivalent to any dividends paid on PNMR common stock as if the preferred stock had been converted into common stock. The Series A convertible preferred stock is entitled to vote on all matters voted upon by common stockholders, except for the election of the Board. In the event of liquidation of PNMR, preferred holders would receive a preference of $0.10 per common share equivalent. After that preference, common holders would receive an equivalent liquidation preference per share and all remaining distributions would be shared ratably between common and preferred holders using the number of shares of common stock into which the Series A convertible preferred stock is convertible. The terms of the Series A convertible preferred stock result in it being substantially equivalent to common stock. Therefore, for earnings per share purposes the number of common shares into which the Series A convertible preferred stock is convertible is included in the weighted average number of common shares outstanding. Similarly, dividends on the Series A convertible preferred stock are considered to be common dividends in the accompanying Condensed Consolidated Financial Statements.

(8) Pension and Other Postretirement Benefit Plans

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs ("PNM Plans" and "TNMP Plans"). PNMR maintains the legal obligation for the benefits owed to participants under these plans.

Information concerning pension and other postretirement plans is contained in Note 12 of Notes to the Consolidated Financial Statements in the 2009 Annual Reports on Form 10-K. Annual net periodic benefit cost (income) for the plans is actuarially determined using the methods and assumptions set forth in that note and is recognized ratably throughout the year.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law. This legislation expands health care coverage to individuals and will largely be funded through tax increases. One provision that will impact certain companies significantly is the elimination of the tax deductibility of the Medicare Part D subsidy. The Company does not expect any significant impact on its financial statements as a result of the legislation.

In June 2010, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act was enacted. The act contains a provision designed to lower required contributions to pension plans by offering extended amortization methods for shortfalls resulting from recent losses in asset market value. The Company's pension plans can elect this relief for any two years within the 2009-2011 period. The Company is currently evaluating the options provided by this legislation and is assessing the impacts of the alternatives. The estimated future contributions to the pension plans set forth below do not consider possible impacts of this legislation.

PNM RESOURCES, INC. AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW MEXICO AND SUBSIDIARIES
TEXAS-NEW MEXICO POWER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PNM Plans

The following tables present the components of the PNM Plans' net periodic benefit cost (income):

	Three Months Ended June 30,					
	Pension Plan		Other Postretirement Benefits		Executive Retirement Program	
	2010	2009	2010	2009	2010	2009
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ -	$ -	$ 105	$ 104	$ -	$ 15
Interest cost	8,518	8,610	1,913	1,847	263	284
Long-term return on plan assets	(9,339)	(9,691)	(1,393)	(1,458)	-	-
Amortization of net loss	1,613	955	1,372	822	18	7
Amortization of prior service cost	79	79	(1,036)	(1,065)	-	3
Net periodic benefit cost (income)	$ 871	$ (47)	$ 961	$ 250	$ 281	$ 309

	Six Months Ended June 30,					
	Pension Plan		Other Postretirement Benefits		Executive Retirement Program	
	2010	2009	2010	2009	2010	2009
	(In thousands)					
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ -	$ -	$ 210	$ 209	$ -	$ 29
Interest cost	17,037	17,220	3,825	3,694	527	568
Long-term return on plan assets	(18,677)	(19,382)	(2,786)	(2,916)	-	-
Amortization of net loss	3,225	1,909	2,744	1,645	35	13
Amortization of prior service cost	158	158	(2,071)	(2,131)	-	5
Net periodic benefit cost (income)	$ 1,743	$ (95)	$ 1,922	$ 501	$ 562	$ 615

As a result of the sale of PNM Gas in January 2009, the liability associated with the retiree medical obligation for gas designated employees was transferred to the purchaser and PNM recognized unamortized prior service costs resulting in a $2.9 million gain, which is not included in the net periodic benefit cost above. See Note 12 of Notes to the Consolidated Financial Statements in the 2009 Annual Reports on Form 10-K for additional information regarding the impacts the sale of gas operations had on pension and other postretirement benefits.

PNM made no contributions to its pension plan trust in the three months ended June 30, 2010, $6.5 million in the six months ended June 30, 2010, and no contributions in the three and six months ended June 30, 2009. PNM anticipates making total contributions of approximately $19.5 million in 2010. Based on current law and estimates of portfolio performance, PNM estimates making additional contributions to its pension plan trust that total $246.8 million for years 2011-2014. The estimated contributions were developed using a probabilistically weighted average discount rate of 6.0% to determine the projected benefit obligation under the pension plan. Actual amounts to be funded in the future will be dependent on the actuarial assumptions at that time, including the appropriate discount rate. PNM contributed $1.2 million and $1.4 million to the trust for other postretirement benefits for the three months ended June 30, 2010 and 2009 and $1.2 million and $2.1 million for the six months ended June 30, 2010 and 2009. PNM expects to make total contributions totaling $2.5 million during 2010 to the trust for other postretirement benefits. Disbursements under the executive retirement program, which are funded by the Company