

PNM RESOURCES INC
Form 424B3
August 31, 2006

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PNM RESOURCES, INC
DIRECT PLAN
(a stock purchase and dividend reinvestment plan)
3,758,251 SHARES
COMMON STOCK
(no par value)

PNM Resources, Inc., a New Mexico corporation, is an investor-owned holding company of energy and energy-related businesses. With this Prospectus, we are offering you the opportunity to participate in our PNM Resources, Inc. Direct Plan (the “Plan” or “PNM Resources Direct”). The Plan provides investors with a convenient and economical way to purchase shares of our common stock, and to reinvest cash dividends in additional shares of our common stock.

PLAN HIGHLIGHTS

- You can open your PNM Resources Direct account with an initial investment of just \$50.
- Other than a trading fee (currently 6 cents per share), you will not incur any transaction costs or brokerage charges to purchase shares through PNM Resources Direct.
- Shareholders who own fewer than 100 shares of our stock are **automatically** enrolled in dividend reinvestment, which allows your investment to grow with each quarterly dividend distribution. You pay **no** trading fee or any other service charge for reinvesting your dividends.
- Interested new investors and participants may enroll or make changes to their individual plan options on-line through Investor ServiceDirect® at www.melloninvestor.com.
- You may purchase additional shares of our stock through cash payments made by check, on-line through Investor ServiceDirect® or by automatic monthly withdrawals from a checking or savings account.
- Investments of cash and cash dividends in our common stock will normally be made within 5 business days of receipt.
- Under certain circumstances, PNM Resources may waive the maximum investment limit of \$100,000 per year in order to raise additional capital through the sale of newly issued shares under the Plan.
- The Plan Administrator is Mellon Bank, N.A.

Unlike an individual stock brokerage account, the timing of purchases and sales is subject to the provisions of the Plan. You should carefully read this prospectus to find out more about the Plan. If you wish to continue your participation in the Plan, you do not need to do anything at this time. If you are currently a participant, and after reviewing this prospectus, you do not wish to continue participation in the Plan, you should contact the Plan Administrator. You may terminate your participation in the Plan at any time.

Investing in our shares of common stock involves risks. See “RISK FACTORS” on page 1 and “SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS” on page 4.

The Plan does not represent a change in the dividend policy of PNM Resources. The payment of dividends is at the discretion of our board of directors and will depend on future earnings, our financial condition and other factors. Our board may change the amount and timing of dividends at any time and without notice.

The common stock of PNM Resources is traded on the New York Stock Exchange under the ticker symbol PNM. The closing price of our common stock on August 30, 2006 was \$28.55. Our principal executive offices are located at Alvarado Square, Albuquerque, NM 87158. The telephone number is (505) 241-2700.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR HAS DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 31, 2006.

No person has been authorized to give any information or to make any representations not contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by PNM Resources, Inc. This prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in affairs of the company since the date hereof.

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RISK FACTORS

Before you invest in our common stock, you should carefully consider the risks set forth in Part I, Item 1A of our Annual Report on Form 10-K/A for the year ended December 31, 2005, which is incorporated by reference in this prospectus. See also "WHERE YOU CAN FIND MORE INFORMATION" about future filings, which we will make with the Securities and Exchange Commission, or SEC, some of which may contain additional risk factors, and are incorporated by reference into this prospectus and "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS". If any of the risks actually occurs, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Please note that you do not have control or authority to direct the price or time at which common stock is purchased or sold for Plan accounts. Therefore, you bear market risk associated with fluctuations in the price of common stock as the price of common stock may go up or down before a purchase or sale is made for your account.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You may read and copy documents we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov.

Our Internet address is www.pnmresources.com. The contents of the website are not a part of this Registration Statement. Our filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are accessible free of charge at <http://www.pnmresources.com> as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These reports are also available upon request in print from us free of charge.

In connection with this offering, we have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended ("Securities Act"). As permitted by SEC rules, this prospectus omits certain information included in the registration statement. For a more complete understanding of the securities we may offer, you should refer to the registration statement, including its exhibits.

We are "incorporating by reference" in this prospectus information we file with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information we incorporate by reference is considered to be part of this prospectus, unless we update or supersede that information by the information contained in this prospectus or the information we file subsequently with the SEC that is incorporated by reference in this prospectus or a prospectus supplement. We are incorporating by reference the following documents that we have filed with the SEC, other than any information in these documents that is deemed not to be "filed" with the SEC:

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- Our Annual Report on Form 10-K/A (Amendment No. 2) for the fiscal year ended December 31, 2005 as filed on August 8, 2006;
- Our Definitive Proxy Statement on Schedule 14A as filed on April 7, 2006;
- Our Quarterly Report on Form 10-Q/A (Amendment No. 1) for the quarter ended March 31, 2006 as filed on August 8, 2006;
- Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 as filed on August 9, 2006;
- Our Current Reports on Form 8-K as filed on January 20, February 17, March 31, April 21, May 26 and July 21, 2006, August 17, 2006 and August 31, 2006; and
- The description of our common stock contained in our Current Report on Form 8-K filed on December 31, 2001 and any amendment or report filed for the purpose of updating such description, including our Current Report on Form 8-K filed on August 17, 2006.

We also incorporate by reference into this prospectus any filings we make with the SEC (excluding information furnished under Items 2.02 or 7.01 of Current Reports on Form 8-K) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the initial filing of the registration statement that contains this prospectus and before termination of this offering.

You may obtain without charge a copy of any of the documents we incorporate by reference, except for exhibits to such documents which are not specifically incorporated by reference into such documents, by contacting us at PNM Resources, Inc., Alvarado Square, Albuquerque, New Mexico, 87158, Attention: Investor Relations. You may also telephone your request at (505) 241-2477.

PNM RESOURCES, INC.

PNM Resources, Inc. is an investor-owned holding company of energy and energy-related businesses. Our primary subsidiaries are Public Service Company of New Mexico, or PNM, Texas-New Mexico Power Company, or TNMP, First Choice Power, L.P., or First Choice, and Altura Power L.P., or Altura Power.

PNM is an integrated public utility with (a) regulated operations primarily engaged in (i) the generation, transmission, distribution and sale of electricity for retail customers in New Mexico and the sale of transmission to third parties as well as to affiliated operations and (ii) transmission, distribution and sale of natural gas within the State of New Mexico, and (b) unregulated operations primarily focused on the sale and marketing of electricity into the wholesale market in the western United States. With our June 2005 acquisition of TNP Enterprises, Inc. ("TNP"), PNM Resources acquired the operations of both of TNP's wholly owned subsidiaries, TNMP and First Choice. TNMP is a regulated utility operating in Texas and New Mexico. In Texas, TNMP provides regulated transmission and distribution services. In New Mexico, TNMP provides regulated integrated electric services that include the transmission, distribution, purchase and sale of electricity. First Choice is a competitive retail electric provider operating in Texas. On April 18, 2006, our indirect subsidiary, Altura Power, completed the acquisition of the Twin Oaks business, which included a 305-megawatt coal fired Twin Oaks power plant facility located 150 miles south of Dallas, Texas.

Our executive office is located at Alvarado Square, Albuquerque, New Mexico 87158, and our telephone number is (505) 241-2700.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- The potential unavailability of cash from PNM Resources’ subsidiaries due to regulatory, statutory and contractual restrictions,
- The outcome of any appeals of the Public Utility Commission of Texas order in the stranded cost true-up proceeding,
 - The ability of First Choice to attract and retain customers,
 - Changes in Electric Reliability Council of Texas protocols,
 - Changes in the cost of power acquired by First Choice,
 - Collections experience,
 - Insurance coverage available for claims made in litigation,
 - Fluctuations in interest rates,
- The risk that the Twin Oaks power plant will not be successfully integrated into PNM Resources,
- Conditions in the financial markets affecting PNM Resources’ permanent financing for the Twin Oaks power plant acquisition,
 - Weather, including impacts on PNM Resources and its subsidiaries of hurricanes in the Gulf Coast region,
 - Water supply,
 - Changes in fuel costs,
 - Availability of fuel supplies,
 - The effectiveness of risk management and commodity risk transactions,
 - Seasonality and other changes in supply and demand in the market for electric power,
 - Variability of wholesale power prices and natural gas prices,

- Volatility and liquidity in the wholesale power markets and the natural gas markets,
- Changes in the competitive environment in the electric and natural gas industries,
- The performance of generating units, including Palo Verde Nuclear Generating Station, and transmission systems,
 - The market for electrical generating equipment,
 - The ability to secure long-term power sales,
- The risks associated with completion of generation, transmission, distribution and other projects, including construction delays and unanticipated cost overruns,

- State and federal regulatory and legislative decisions and actions,
 - The outcome of legal proceedings,
 - Changes in applicable accounting principles, and
- The performance of state, regional and national economies.

SUMMARY OF THE PLAN

The following summary of the Plan may omit certain information that may be important to you. If you wish to receive a copy of the actual text of the Plan as filed with the Securities and Exchange Commission, please contact: PNM Resources, Inc., Investor Relations, Alvarado Square, Albuquerque, New Mexico 87158, telephone (505) 241-2477.

Purpose

The purpose of the Plan is to provide new and existing shareholders with a convenient and economical method of investing cash and cash dividends in shares of our common stock. Since new shares of our common stock, or shares held in our treasury, may be purchased directly from us, we may receive additional funds for general corporate purposes.

Nothing in this prospectus or other Plan information represents a recommendation by PNM Resources or anyone else that any person buy or sell PNM Resources common stock. We urge you to read this prospectus thoroughly before you make your own independent decision regarding whether or not to invest in PNM Resources common stock through this Plan.

The value of shares of PNM Resources common stock may increase or decrease from time to time. A Plan participant, like the owner of directly held shares, bears all risk of loss that may result from market fluctuations in the price of our common stock. Unlike an individual stock brokerage account, however, a Plan participant does not have control or authority to direct the price or time at which common stock held under the Plan for the Participant is purchased or sold. We cannot guarantee that shares purchased under the Plan will, at any particular time, be worth more than their purchase price. The Securities Investor Protection Corporation, the Federal Deposit Insurance Corporation, or any other entity does not insure Plan accounts.

Participation—How to Join

First time investors:

After you have read this prospectus, you may complete the Enrollment Form included, or, you may enroll on-line through Investor ServiceDirect® at www.melloninvestor.com. Click the "Stock Purchase Plans" button, at the "easy search" screen select the ticker symbol button and enter PNM, then follow the instructions for authorizing your initial investment and indicate whether you want to participate in the full or partial dividend reinvestment portion of the Plan.

If you purchase or currently own less than 100 shares, you will automatically be enrolled in the dividend reinvestment portion of the Plan, unless you request to receive cash dividends. All investments must be made in U.S. dollars and drawn on a U.S. bank.

You may make your initial investment by:

1. authorizing an electronic debit of at least \$50 but not more than \$100,000 from your U.S. bank account. This alternative is available to on-line investors only; or
2. mailing a check for at least \$50 but not more than \$100,000 drawn on a U.S. bank account to the Plan administrator along with your Enrollment Form.

Follow the instructions on the on-line Enrollment Wizard to indicate your selection and, if paying by check, print out the instruction sheet and submit the sheet as indicated with your check, together with your Enrollment Form. You can then make an election to have your dividends reinvested and/or make optional cash investments as described more fully below.

The Plan Administrator may confirm certain transactions affecting the amount of shares in your Plan account and produce Plan statements in paper form from time to time and will mail these to you at the address you give when you enroll in the Plan.

Current shareholders:

Our shareholders whose common stock is registered with us are automatically eligible to participate in the dividend reinvestment portion of the Plan, and may make optional cash investments and sell shares through the Plan. If you are a shareholder of record holding less than 100 shares, you will automatically be enrolled in *the full dividend reinvestment portion* of the Plan and your quarterly PNM Resources dividend will be applied to purchasing additional shares of stock. If you own fewer than 100 shares but would prefer to have your dividend paid to you in cash, you must contact the Plan Administrator and request a cash payment. As a shareholder participating in the Plan with less than 100 shares, you will have access to your account on-line through Investor ServiceDirect® at www.melloninvestor.com and by telephone at 1-877-663-7775 and you will receive annual account statements, but you may no longer elect the partial dividend reinvestment option.

If you are a shareholder of record owning 100 shares or more you may elect to reinvest all or part of your dividends pursuant to the Plan. As a shareholder participating in the Plan with more than 100 shares, you will have access to your account on-line through Investor ServiceDirect® at www.melloninvestor.com and by telephone at 1-877-663-7775 and you will receive quarterly account statements.

Dividend payments not reinvested will be paid to you in the usual manner.

For current shareholders and new investors:

You may sign up for automatic monthly investments, change your investment amount or make additional investments at any time by accessing your account on-line through Investor ServiceDirect® at www.melloninvestor.com and using the account management feature or by telephone at 1-877-663-7775.

You may establish additional investment accounts for children or dependents by following the instructions on the on-line Enrollment Wizard applicable to custodial or trust accounts or by telephone at 1-877-663-7775.

How the Optional Cash Investments Work

In addition to having your dividend payments reinvested in our common stock, you may buy additional shares by investing a minimum of \$50 at any one time not to exceed the "maximum" of \$100,000 per year. You may submit your optional cash investments by check, money order or by authorizing electronic transfers. Do not send cash. You can make individual automatic deductions from your bank account through Investor ServiceDirect® by accessing your account on-line through the Plan Administrator's website www.melloninvestor.com. Upon receipt of the funds, the Plan Administrator will normally invest initial and optional cash investments at least once every five (5) business days.

Optional cash investments of more than \$100,000 per year by any current participant and any initial cash investment by a new investor in excess of \$100,000 may only be made pursuant to a request for waiver that has been granted by us as described in more detail on page 16 of this prospectus. Investors may make individual cash investments or invest regularly over a period of time.

Your Funds Will Be Fully Invested

Funds invested pursuant to the Plan are fully invested in whole and fractional shares (computed to four decimal places) of our common stock either through the purchase of shares directly from us or the purchase of shares in the open market (or through a combination of these methods). We pay dividends on both whole shares and fractions of shares.

Share Safekeeping

For your convenience, shares purchased through the Plan will be maintained by the Plan Administrator in non-certificated (book-entry) form. Additionally, the Plan offers a "safekeeping" service whereby you may deposit, free of any service charges, certificates representing your shares of common stock and have your ownership of such common stock maintained on the Plan Administrator's records as part of your account. This feature protects against loss, theft or destruction of stock certificates. A share certificate will be delivered to you free of charge, upon request.

You May Sell, Withdraw or Transfer Your Shares at Any Time

You may sell or withdraw shares of our common stock credited to your account, including those shares deposited into the Plan for safekeeping, through the Plan. Currently there is a \$15.00 processing fee, plus a trading fee of \$0.06 per share, for sale transactions and liquidations. A statement will be mailed to you for each transaction that takes place. Additionally, you may transfer or make gifts to others of our common stock by contacting the Plan Administrator. There is no fee for this service.

Plan Administrator

Mellon Bank N.A. will administer the Plan and act as agent for the participants. Mellon Bank N.A. has designated its affiliates, Mellon Investor Services and Mellon Securities LLC, and other agents to perform certain services for the Plan.

You may contact the Plan Administrator as directed below:

Call Mellon Investor Services 1-877-663-7775

On-line over the Internet at: www.melloninvestor.com

You may write the Plan Administrator at the following address:

Mellon Investor Services
P.O. Box 3338
South Hackensack, NJ 07606-1938

Please include your daytime telephone number, your social security or tax I.D. number and a reference to PNM Resources, Inc. on all correspondence.

TERMS AND CONDITIONS OF THE PLAN

Am I Eligible to Participate in the Plan?

You are eligible to participate in the Plan if you meet the requirements outlined below.

- **If you do not currently own our stock.** If you do not currently own any of our stock you may join the Plan, after receiving a copy of this prospectus, by making an initial investment of at least \$50, but not more than \$100,000. All U.S. citizens, U.S. residents and non-U.S. residents are eligible to participate in the Plan, whether they are current shareholders or not. In all cases, however, investments must be made in U.S. currency drawn on a U.S. bank. Prior to investing in our common stock, each participant is responsible for reviewing the applicable laws of his or her country of residence to determine if there are any restrictions on investment.

You can get started in the Plan by enrolling on-line through Investor ServiceDirect® at www.melloninvestor.com (see Participation - How to Join) or by returning a completed Enrollment Form to the Plan Administrator, along with your check or money order payable to PNM Resources Direct. Do not send cash. The Plan Administrator will arrange for the purchase of shares for your account but will not pay interest on amounts held pending investment. Please allow two (2) weeks for your account to be established, initial shares to be purchased and a statement to be mailed to you.

- **If you currently own our stock.** If you already own less than 100 shares of our stock and the shares are registered in your name, you are automatically enrolled in the full dividend reinvestment portion of the Plan. If you already own 100 shares or more of our stock and the shares are registered in your name, you may join the dividend reinvestment portion of the Plan by enrolling on-line (see Participation - How to Join) or by returning a completed Enrollment Form to the Plan Administrator. In either case, participants are eligible for the optional purchase portion of the Plan.

If your shares are held in a brokerage, bank or other intermediary account, and you wish to participate directly in the Plan, you should instruct your broker, bank or trustee to register some or all of your shares of our common stock directly in your name.

- **If you are already enrolled.** If you are currently enrolled in the PNM Resources Direct Plan, and do not want to change your participation, no further action is required for your continued participation. However, if you wish to change your participation in any way (e.g., from partial to full reinvestment), you must submit a new Enrollment Form or access the account management feature on-line through Investor ServiceDirect® at or by telephone at 1-877-663-7775. If you own less than 100 shares of our stock, partial reinvestment of cash dividends is not available.

What are my investment options?

Once enrolled in the Plan, you may purchase additional shares of common stock through reinvestment of your dividends and/or by cash investments as described below:

- **Dividend reinvestment.** If you are a shareholder of record and you own less than 100 shares, you will automatically be enrolled in the Plan and will have your dividends reinvested in additional shares (unless you contact the Plan Administrator as directed on page 8 of this prospectus to request cash dividends). In addition, you will receive an annual statement and will have electronic access to your account on-line through Investor ServiceDirect® at or by telephone at 1-877-663-7775. If you are a shareholder of record owning 100 shares or more, you may choose to reinvest all or a portion of the regular cash dividends paid on your shares held in the Plan toward the purchase of additional shares of our common stock. In addition, you will receive a quarterly account statement and have electronic access to your account on-line through Investor ServiceDirect® at or by telephone at 1-877-663-7775.

You may change your dividend reinvestment election at any time by notifying the Plan Administrator. For a particular dividend to be reinvested, your notification must be received before the record date for that dividend. (The record date is approximately 14 days before the dividend payment date.)

You may, of course, choose not to reinvest any of your dividends, in which case the Plan Administrator will remit any dividends to you by check or automatic deposit to a bank account you designate.

If you elect to reinvest your dividends, you must choose one of the following:

- **Full dividend reinvestment.** This means you will purchase additional shares through the Plan by investing all your cash dividends.
- **Partial dividend reinvestment.** If you own 100 shares or more and choose to reinvest less than all your dividends, you may receive a cash dividend payment based on the number of full shares you specify and reinvest the dividends on all remaining shares. This allows you to receive a fixed amount of cash each quarter (assuming the dividend stays the same).
- **Optional cash investments.** You may purchase additional shares of our common stock by using the Plan's optional cash investment feature. You must invest at least \$50 at any one time but not more than \$100,000 per year. Upon receipt of your funds, the Plan Administrator will invest initial and additional cash investments as promptly as practicable, normally at least once every 5 business days.

Shares will be posted to your account in whole and fractional shares immediately upon settlement, usually within 3 business days. You will receive a confirmation of your transaction by paper statement at the postal address you give us when you enroll in the plan.

In the unlikely event that, due to unusual market conditions, the Plan Administrator is unable to invest your funds within 35 days, the Plan Administrator will return the funds to you by check. *No interest will be paid on funds held by the Plan Administrator pending investment.*

For automatic monthly purchases, the amounts you have authorized will be withdrawn from your banking account on the 24th day of each month, or the next succeeding business day if the 24th falls on a weekend or holiday. The funds will be credited to your account and invested within 5 business days of receipt by the Plan Administrator.

The Plan Administrator will use your investment to purchase as many full and fractional shares as possible. Fractional share amounts will be computed to four decimal places.

You may make optional cash investments by sending a check or money order (not cash) to the Plan Administrator payable to PNM Resources Direct, or by authorizing individual electronic transfers from your bank account by accessing your account on-line through Investor ServiceDirect® at www.melloninvestor.com. To facilitate processing of your investment when you send a check or money order, please use the transaction stub attached to your Plan statement. Mail your investment and transaction stub to the address specified on the statement. A \$35 fee will be assessed for a check or electronic debit that is returned for insufficient funds. Please see the fee schedule attached as Appendix A.

How are my shares typically purchased and how is the purchase price for the shares determined?

Shares of our common stock purchased under the Plan will, at our election, be newly issued shares purchased directly from us, treasury shares purchased directly from us, shares purchased by a broker, or a combination thereof. If shares are purchased under the Plan directly from us and by the Plan Administrator through its broker, each participant's Plan account will be credited with its pro rata portion of the number of shares purchased