

PNM RESOURCES INC
Form U-3A-2
February 27, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM U-3A-2

Statement by Holding Company Claiming Exemption
Under Rule U-3A-2 from the Provisions of the
Public Utility Holding Company Act of 1935

To Be Filed Annually Prior to March 1

PNM RESOURCES, INC.

PNM Resources, Inc. (PNM Resources) hereby files with the Securities and Exchange Commission (the Commission), pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935 (the Act), and submits the following information:

1. Name, State of organization, location and nature of business of claimant and every subsidiary thereof, other than any exempt wholesale generator (EWG) or foreign utility company in which claimant directly or indirectly holds an interest.

PNM Resources is a holding company organized under the laws of the State of New Mexico. Upon the completion of a one-for-one share exchange between Public Service Company of New Mexico, a New Mexico corporation (PNM), and PNM Resources on December 31, 2001, PNM Resources became the parent of PNM. PNM is a public utility company as defined under Section 2(a)(5) of the Act. PNM Resources is also the parent of certain non-utility subsidiaries, most of which were formerly owned, directly or indirectly, by PNM, as identified in the table below. PNM Resources has its principal offices at Alvarado Square, Albuquerque, New Mexico 87158.

ACTIVE SUBSIDIARIES

PNM

PNM Resources owns all of the issued and outstanding voting securities of PNM, a public utility incorporated in 1917 under the laws of the State of New Mexico with principal offices at Alvarado Square, Albuquerque, New Mexico 87158. PNM is a public utility primarily engaged in the generation, transmission, distribution and sale of electricity and the transmission, distribution and sale of natural gas.

The total population of the area served by one or more of PNM's utility services is estimated to be approximately 1.3 million, of which some 57% live in the greater Albuquerque area.

Avistar

PNM Resources owns all of the issued and outstanding voting securities of Avistar, Inc., a New Mexico corporation (Avistar). Avistar's principal offices are at 2401 Aztec Road N.E., Albuquerque, New Mexico, 87107. Avistar is primarily engaged in the investigation and development of technologies that prove viable in the enhancement of energy and utility related services. Avistar has an investment in Nth Power Technologies, a venture capital firm focused on high growth opportunities arising from restructuring of the global energy marketplace. Nth Power Technologies has invested in a broad range of companies that include distributed generation and storage, communications, control and information technology, end-use products, power quality, transmission and distribution automation, and outsourcing and business services.

EIP Refunding Corporation

On February 24, 2003, PNM Resources acquired 100% of the outstanding common stock of EIP Refunding Corporation for \$1,000. EIP Refunding Corporation is a special purpose corporation authorized to hold notes receivable from two trusts and issue publicly traded bonds in a corresponding amount. PNM Resources acquired EIP Refunding Corporation to effectuate the retirement of the EIP Secured Facility Bonds. The New Mexico Public Regulation Commission authorized the acquisition of the remaining lessor note held by EIP Refunding Corporation on February 10, 2004. PNM intends to acquire this note and liquidate EIP Refunding Corporation by June 30, 2004.

INACTIVE SUBSIDIARIES

Direct and Indirect Subsidiaries
Related to PNM's Previous Diversification Efforts

| NAME | PLACE OF INCORPORATION OR ORGANIZATION | ADDITIONAL INFORMATION |
|--------------------------------------|---|---|
| Meadows Resources, Inc. (Meadows) | New Mexico | Wholly-owned subsidiary of PNM; formerly developed and conducted activities unrelated to utility operations. |
| Bellamah Associates Ltd. (BAL) | New Mexico | Subsidiary of Meadows. Limited Partnership with BIL. General partnership with BCD, BHL, and Meadows. |
| Bellamah Community Development (BCD) | New Mexico | Subsidiary of Meadows. A general partnership among BAL, BHL, and Meadows. |
| Bellamah Holding Company (BHC) | New Mexico | Subsidiary of Meadows. Limited partnership with BIL. |
| Bellamah Holding Ltd. (BHL) | New Mexico | Subsidiary of Meadows. General partnership with BAL, BCD, and Meadows. |
| Bellamah Investors Ltd. (BIL) | New Mexico | Subsidiary of Meadows. Limited Partnership with BAL and BHC. |
| Republic Holding Company (RHC) | Delaware | Subsidiary of Meadows. |
| Sunbelt Mining Company, Inc. | New Mexico | Wholly-owned subsidiary of PNM Resources; formerly, among other things, acquired, developed, and marketed coal. |

Direct Subsidiaries
Related to PNM's Previous Gas Gathering and Processing Businesses

| NAME | PLACE OF INCORPORATION OR ORGANIZATION | ADDITIONAL INFORMATION (IF NEEDED) |
|--|--|---|
| Sunterra Gas Gathering Company | New Mexico | Subsidiary of PNM Resources. Primary activities, prior to the June 30, 1995 closing date on which gas gathering and processing assets were sold, were to gather and deliver natural gas to interstate and intrastate pipelines and to sell natural gas to PNM Gas Services. |
| Sunterra Gas Processing Company | New Mexico | Subsidiary of PNM Resources. Primary activity, prior to the June 30, 1995 closing date on which gas gathering and processing assets were sold, was to process natural gas. |

Direct Subsidiary
Related to Restructuring

| NAME | PLACE OF INCORPORATION OR ORGANIZATION | ADDITIONAL INFORMATION (IF NEEDED) |
|--|--|---|
| PNM Electric and Gas Services | New Mexico | Shell subsidiary of PNM Resources formed with an initial equity capital of \$1000; created as part of PNM's plan to comply with the New Mexico Electric Utility Industry Restructuring Act of 1999. |

Miscellaneous Inactive Subsidiaries

| NAME | PLACE OF INCORPORATION OR ORGANIZATION | ADDITIONAL INFORMATION (IF NEEDED) |
|--|--|--|
| AMDAX.com Gas Company of New Mexico | Nevada New Mexico | 25% owned by Avistar. Subsidiary of Sunbelt to preserve the name Gas Company of New Mexico. |

2. A brief description of the properties of claimant and each of its subsidiary public utility companies used for the generation, transmission, and distribution of electric energy for sale, or for the production, transmission, and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants, and electric and gas distribution facilities, including all such properties which are outside the State in which claimant and its subsidiaries are organized and all transmission or pipelines which deliver or receive electric energy or gas at the borders of such State.

PNM Resources does not own directly any utility properties or perform any utility operations. PNM Resources operating subsidiary is PNM and is described in detail below.

PNM provides retail electric service to a large area of north central New Mexico, including the cities of Albuquerque, Santa Fe, Rio Rancho, Las Vegas, Belen and Bernalillo. PNM also provides retail electric service to Deming in southwestern New Mexico and to Clayton in northeastern New Mexico. As of December 31, 2003, PNM served approximately 401,608 retail electric customers, the largest of which accounted for approximately 8.1% of PNM's total retail electric revenues for the year ended December 31, 2003.

PNM owns or leases and operates facilities for the generation and transmission of electric energy. PNM's transmission facilities consist primarily of 345 kV, 230 kV and 115 kV transmission lines extending through much of the State of New Mexico. PNM also owns partial interests in certain 500 kV and 345 kV transmission lines in the State of Arizona. PNM owns or leases interests in electric generation plants representing a total PNM net generation capacity of 1,742 MW. The facilities comprising such interests in generation include: a nuclear plant, Palo Verde Nuclear Generating Station, located in Arizona; two coal-fired plants, San Juan Generating Station and Four Corners Power Plant, located in northwest New Mexico; two gas/oil-fired plants, Las Vegas, located in Las Vegas, New Mexico, and Reeves, located in Albuquerque, New Mexico; and two gas-fired peaking plants, Lordsburg Generating Station, in Lordsburg, New Mexico and Afton Generating Station, located near Las Cruces, New Mexico. PNM also has approximately 132 MW of additional unit contingent peaking capacity through a 20-year power purchase agreement with Delta-Person Limited Partnership, owner of a gas turbine generating unit near Albuquerque, New Mexico. In 2002, PNM entered into an agreement with FPL Energy, LLC (FPL) a subsidiary of FPL Group, Inc., to develop a 200 MW wind generation facility in New Mexico (the New Mexico Wind Energy Center or

NMWE). PNM began receiving commercial power from the project in June 2003 under a contract with FPL to purchase all of the power output generated by the NMWE for 25 years. This brings PNM's total net generating capacity, consisting of both internal and external contracted capacity, to 2,074 MW.

In addition to generation capacity, PNM purchases power in the wholesale market. PNM has two power purchase agreements with Southwestern Public Service Company: a long-term power purchase agreement (which expires in May, 2011) under which PNM presently receives 150 MW of interruptible power, and an intermediate-term agreement (through December 2005) under which PNM receives 72 MW of firm power. PNM also has a long-term power purchase agreement (through June 2010) with Tri-State Generation and Transmission Association, Inc., under which PNM receives 50 MW of firm power. Additionally, PNM has 70 MW of contingent capacity it obtains from El Paso Electric Company (EPE) under a transmission-capacity-for-generation-capacity trade arrangement that runs through September 2004. Beginning in October 2004 and continuing through June 2005, the contingent capacity amount under the EPE trade arrangement will be reduced to 39 MW.

As of December 31, 2003, PNM owned, jointly owned or leased approximately 2,902 circuit miles of electric transmission lines, located in New Mexico and Arizona. Included in this total is approximately 165 miles of 500 kV transmission lines associated with PNM's interest in Palo Verde. PNM also owns approximately 4,292 miles of overhead distribution lines, 4,120 miles of underground distribution lines, and 240 energized and de-energized transformers within switching stations and substations, all located in New Mexico.

PNM distributes natural gas to most of the major communities in New Mexico, including Albuquerque and Santa Fe, and serves approximately 460,818 natural gas customers, as of December 31, 2003. The Albuquerque metropolitan area accounts for approximately 43% of the total sales-service customers. PNM obtains its supply of natural gas primarily from sources within New Mexico pursuant to contracts with producers and marketers. These contracts are generally sufficient to meet PNM's peak-day demand. PNM provides distribution service within certain cities that depend on El Paso Natural Gas Company or Transwestern Pipeline Company for transportation of the gas supplies. Because these cities are not directly connected to PNM transmission facilities, gas transported by these companies is the sole supply source for those cities.

PNM's natural gas properties, as of December 31, 2003, consisted primarily of natural gas storage, transmission and distribution systems. Provisions for storage made by PNM include ownership and operation of an underground storage facility located near Albuquerque, New Mexico. The transmission systems consisted of approximately 1,600 miles of pipe with appurtenant compression facilities. The distribution systems consisted of approximately 11,600 miles of pipe.

3. The following information for the last calendar year with respect to claimant and each of its subsidiary public utility companies:

- a) Number of kwh. of electric energy sold (at retail or wholesale), and Mcf. of natural or manufactured gas distributed at retail.

| | Units Sold |
|-----------------------------|--------------------------------|
| | <hr/> |
| Electric Energy | 11,847,776,000 kWh (Wholesale) |
| | 7,378,830,000 kWh (Retail) |
| Natural or Manufactured Gas | 92,121,188 Mcf |

- b) Number of kwh of electric energy and Mcf. of natural or manufactured gas distributed at retail outside the State in which each such company is organized.

| | Units Sold |
|-----------------------------|-------------------|
| | <hr/> |
| Electric Energy | 0 kWh |
| Natural or Manufactured Gas | 0 Mcf |

- c) Number of kwh. of electric energy and Mcf. of natural or manufactured gas sold at wholesale outside the State in which each such company is organized, or at the State line.

| | Units Sold |
|-----------------------------|------------------------------------|
| | <hr/> |
| Electric Energy | 7,674,301,000 kWh (Wholesale only) |
| Natural or Manufactured Gas | 23,772 Mcf |

- d) Number of kwh. of electric energy and Mcf. of natural or manufactured gas purchased outside the State in which each such company is organized, or at the State line.

| | Units Purchased |
|-----------------------------|------------------------------------|
| | <hr/> |
| Electric Energy | 5,553,107,000 kWh (Wholesale only) |
| Natural or Manufactured Gas | 8,345,929 Mcf |
| | 7 |

4. The following information for the reporting period with respect to claimant and each interest it holds directly or indirectly in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

- a) Name, location, business address and description of the facilities used by the EWG or foreign utility company for the generation, transmission and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

N/A. The claimant holds no interest, directly or indirectly, in an EWG or a foreign utility company.

- b) Name of each system company that holds an interest in such EWG or foreign utility company and description of the interest held.

N/A

- c) Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding company claiming exemption or another system company other than the EWG or foreign utility company.

N/A

- d) Capitalization and earnings of the EWG or foreign utility company during the reporting period.

N/A

- e) Identify any service, sales or construction contract(s) between the EWG or foreign utility company and a system company, and describe the services to be rendered or goods sold and fees or revenues under such agreement(s).

N/A

EXHIBIT A

A consolidating statement of income and surplus of the claimant and its subsidiary companies for the last calendar year, together with a consolidating balance sheet of claimant and its subsidiary companies as of the close of such calendar year.

PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF EARNINGS AND SURPLUS
Year Ended December 31, 2003

| | PNM RESOURCES | PNM CONSOLIDATED | AVISTAR | SUNBELT MINING | PARAGON RESOURCES |
|--------------------------------------|--------------------------|-----------------------------|----------------|---------------------------|------------------------------|
| | (In thousands) | | | | |
| Operating Revenues: | | | | | |
| Electric | \$ | \$ 1,097,136 | \$ | \$ | \$ |
| Gas | | 358,267 | | | |
| Non-Utility | 191 | | 120 | | |
| Total operating revenues | 191 | 1,455,403 | 120 | | |
| Operating Expenses: | | | | | |
| Cost of energy sold | | 802,711 | 20 | | |
| Administrative and general | 19,480 | 160,200 | 2,925 | | |
| Energy production costs | | 140,584 | | | |
| Depreciation and amortization | 1,728 | 113,921 | | | |
| Transmission and distribution costs | | 61,169 | | | |
| Taxes, other than income taxes | 1,566 | 29,670 | 74 | | |
| Income taxes | (8,981) | 28,262 | (1,156) | | |
| Total operating expenses | 13,793 | 1,336,517 | 1,863 | | |
| Operating income (Loss) | (13,602) | 118,886 | (1,743) | | |
| Other Income and Deductions: | | | | | |
| Equity in earnings from subsidiaries | 94,105 | | | | |
| Other | 22,785 | 9,130 | (286) | | |
| Income tax benefit (expense) | (7,530) | (2,328) | 113 | | |
| Net other income and deductions | 109,360 | 6,802 | (173) | | |

| | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income (loss) before interest charges | 95,758 | 125,688 | (1,916) | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Interest Charges: | | | | | |
| Interest on long-term debt | 416 | 59,013 | | | |
| Other interest charges | 169 | 6,697 | 21 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net interest charges | 585 | 65,710 | 21 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Preferred Stock Dividend Requirements | | 586 | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Earnings Before Cumulative Effect of a Change in Accounting Principle | 95,173 | 59,392 | (1,937) | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cumulative Effect of a Change in Accounting Principles, Net of Tax of \$23,999 | | 36,621 | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net Earnings (Loss) Applicable to Common Stock | 95,173 | 96,013 | (1,937) | | |
| Retained earnings at beginning of year | 29,263 | 256,157 | (20,793) | (18,299) | (1,527) |
| Common stock dividends | (36,755) | | | | |
| Dividends to parent | | (49,581) | | | 1,527 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Retained Earnings At End of Year | \$ 87,681 | \$ 302,589 | \$(22,730) | \$(18,299) | \$ |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF EARNINGS AND SURPLUS (Continued)
Year Ended December 31, 2003

| | SUNTERRA GAS GATHERING | SUNTERRA GAS PROCESSING | ELIMINATION | PNM RESOURCES CONSOLIDATED |
|---------------------------------------|---------------------------------------|--|--------------------|---|
| | (In thousands) | | | |
| Operating Revenues: | | | | |
| Electric | \$ | \$ | \$ | \$ 1,097,136 |
| Gas | | | | 358,267 |
| Non-Utility | | | | 311 |
| | _____ | _____ | _____ | _____ |
| Total operating revenues | | | | 1,455,714 |
| | _____ | _____ | _____ | _____ |
| Operating Expenses: | | | | |
| Cost of energy sold | | | | 802,731 |
| Administrative and general | | | (23,899) | 158,706 |
| Energy production costs | | | | 140,584 |
| Depreciation and amortization | | | | 115,649 |
| Transmission and distribution costs | | | (1,099) | 60,070 |
| Taxes, other than income taxes | | | | 31,310 |
| Income taxes | | | 9,947 | 28,072 |
| | _____ | _____ | _____ | _____ |
| Total operating expenses | | | (15,051) | 1,337,122 |
| | _____ | _____ | _____ | _____ |
| Operating income (Loss) | | | 15,051 | 118,592 |
| | _____ | _____ | _____ | _____ |
| Other Income and Deductions: | | | | |
| Equity in earnings from subsidiaries | | | (94,105) | |
| Other | 48 | | (25,125) | 6,552 |
| Income tax benefit (expense) | (19) | | 9,947 | 183 |
| | _____ | _____ | _____ | _____ |
| Net other income and deductions | 29 | | (109,283) | 6,735 |
| | _____ | _____ | _____ | _____ |
| Income (loss) before interest charges | 29 | | (94,232) | 125,327 |
| | _____ | _____ | _____ | _____ |

| | | | |
|---|----------------|-----------------|-------------------|
| Interest Charges: | | | |
| Interest on long-term debt | | | 59,429 |
| Other interest charges | | (127) | 6,760 |
| | _____ | _____ | _____ |
| Net interest charges | | (127) | 66,189 |
| | _____ | _____ | _____ |
| Preferred Stock Dividend Requirements | | | 586 |
| | _____ | _____ | _____ |
| Net Earnings Before Cumulative Effect of a Change in Accounting Principle | 29 | | 58,552 |
| | _____ | _____ | _____ |
| Cumulative Effect of a Change in Accounting Principles, Net of Tax of \$23,999 | | | 36,621 |
| | _____ | _____ | _____ |
| Net Earnings Applicable to Common Stock | 29 | | 95,173 |
| Retained earnings at beginning of year | 1,923 | 1,086 | 444,651 |
| Common stock dividends | | | (36,755) |
| Dividends to parent | | | 48,054 |
| | _____ | _____ | _____ |
| Retained Earnings At End of Year | \$1,952 | \$ 1,086 | \$ 503,069 |
| | _____ | _____ | _____ |

**PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
ASSETS**

As of December 31, 2003

| | PNM RESOURCES | PNM CONSOLIDATED | AVISTAR | SUNBELT MINING | PARAGON RESOURCES |
|---|--------------------------|-----------------------------|----------------|---------------------------|------------------------------|
| | (In thousands) | | | | |
| Utility Plant, at original cost except PVNGS: | | | | | |
| Electric plant in service | \$ | \$2,419,162 | \$ | \$ | \$ |
| Gas plant in service | | 630,949 | | | |
| Common plant in service and plant held for future use | 37,738 | 10,997 | | | |
| | <u>37,738</u> | <u>3,061,108</u> | | | |
| Less accumulated depreciation and amortization | 8,394 | 1,055,251 | | | |
| Construction work in progress | 12,977 | 120,340 | | | |
| Nuclear fuel, net of accumulated amortization of \$15,995 | | 25,917 | | | |
| | <u>42,321</u> | <u>2,152,114</u> | | | |
| Net utility plant | | | | | |
| Other Property and Investments: | | | | | |
| Investment in Subsidiaries | 1,047,933 | | | | |
| Other investments | 21,183 | 421,612 | 1,817 | | |
| Non-utility property, net of accumulated depreciation of \$1,755 | 489 | 966 | | | |
| | <u>1,069,605</u> | <u>422,578</u> | <u>1,817</u> | | |
| Total other property and investments | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | 845 | 11,607 | (94) | 318 | |
| Accounts receivable, net of allowance for uncollectible accounts of \$9,284 | | 68,258 | | | |
| Unbilled revenues | | 82,899 | | | |
| Intercompany | 54,094 | | (652) | 704 | |
| Other receivables | 1,127 | 45,814 | 80 | 21 | |
| Inventories | 8 | 40,791 | | | |
| Regulatory assets | | 15,436 | | | |

| | | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Short-term investments | | | | | |
| Other current assets | 10,746 | 28,089 | — | — | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total current assets | 66,820 | 292,894 | (666) | 1,043 | — |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Deferred charges: | | | | | |
| Regulatory assets | | 215,416 | | | |
| Prepaid pension cost | | 85,782 | | | |
| Other deferred charges | 438 | 130,520 | 8 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred charges | 438 | 431,718 | 8 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$1,179,184 | \$3,299,304 | \$ 1,159 | \$ 1,043 | \$ |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
ASSETS (Continued)
As of December 31, 2003

| | SUNTERRES | SUNTERRA | | PNM |
|---|------------------|-------------------|---------------------|---------------------|
| | GAS | GAS | ELIMINATIONS | RESOURCES |
| | GATHERING | PROCESSING | | CONSOLIDATED |
| | _____ | _____ | _____ | _____ |
| | | | (In thousands) | |
| Utility Plant, at original cost except PVNGS: | | | | |
| Electric plant in service | \$ | \$ | \$ | \$2,419,162 |
| Gas plant in service | | | | 630,949 |
| Common plant in service and plant held for future use | | | | 48,735 |
| | _____ | _____ | _____ | _____ |
| | | | | 3,098,846 |
| Less accumulated depreciation and amortization | | | | 1,063,645 |
| Construction work in progress | | | | 133,317 |
| Nuclear fuel, net of accumulated amortization of \$15,995 | | | | 25,917 |
| | _____ | _____ | _____ | _____ |
| Net utility plant | | | | 2,194,435 |
| | _____ | _____ | _____ | _____ |
| Other Property and Investments: | | | | |
| Investment in Subsidiaries | | | (1,047,933) | |
| Other investments | | | | 444,612 |
| Non-utility property, net of accumulated depreciation of \$1,755 | | | | 1,455 |
| | _____ | _____ | _____ | _____ |
| Total other property and investments | | | (1,047,933) | 446,067 |
| | _____ | _____ | _____ | _____ |
| Current Assets: | | | | |
| Cash and cash equivalents | 8 | 10 | | 12,694 |
| Accounts receivable, net of allowance for uncollectible accounts of \$9,284 | | | | 68,258 |
| Unbilled revenues | | | | 82,899 |
| Intercompany | 22 | | (54,168) | |
| Other receivables | | | | 47,042 |

| | | | | |
|--------------------------|------|-------|---------------|-------------|
| Inventories | | | | 40,799 |
| Regulatory assets | | | | 15,436 |
| Short-term investments | | | | |
| Other current assets | | | | 38,835 |
| | — | — | — | — |
| Total current assets | 30 | 10 | (54,168) | 305,963 |
| | — | — | — | — |
| Deferred charges: | | | | |
| Regulatory assets | | | | 215,416 |
| Prepaid pension cost | | | | 85,782 |
| Other deferred charges | | | | 130,966 |
| | — | — | — | — |
| Total deferred charges | | | | 432,164 |
| | — | — | — | — |
| | \$30 | \$ 10 | \$(1,102,101) | \$3,378,629 |
| | — | — | — | — |

PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
CAPITALIZATION AND LIABILITIES
As of December 31, 2003

| | <u>PNM</u> | <u>PNM</u> | <u>AVISTAR</u> | <u>SUNBELT</u> | <u>PARAGON</u> |
|--|------------------|---------------------|----------------|----------------|------------------|
| | <u>RESOURCES</u> | <u>CONSOLIDATED</u> | | <u>MINING</u> | <u>RESOURCES</u> |
| | (In thousands) | | | | |
| Capitalization: | | | | | |
| Common stock equity: | | | | | |
| Common stock outstanding - 39,747 shares | \$1,033,694 | \$ 195,589 | \$ | \$ | \$ |
| Additional paid-in capital | | 556,608 | 22,001 | 18,527 | |
| Accumulated other comprehensive income, net of tax | | (73,487) | | | |
| Retained earnings | 87,681 | 302,589 | (22,730) | (18,299) | |
| | <u>1,121,375</u> | <u>981,299</u> | <u>(729)</u> | <u>228</u> | |
| Total common stock equity | | | | | |
| Cumulative preferred stock without mandatory redemption requirements | | 12,800 | | | |
| Long-term debt, less current maturities | | 987,210 | | | |
| | <u>1,121,375</u> | <u>1,981,309</u> | <u>(729)</u> | <u>228</u> | |
| Total capitalization | | | | | |
| Current Liabilities: | | | | | |
| Short-term debt | 718 | 124,900 | 2,850 | | |
| Accounts payable | 7,675 | 78,313 | 187 | | |
| Intercompany accounts payable | 1,049 | 73,571 | 2 | | |
| Accrued interest and taxes | 15,927 | 8,879 | (2,144) | 815 | |
| Other current liabilities | 26,124 | 83,823 | 84 | | |
| | <u>51,493</u> | <u>369,486</u> | <u>979</u> | <u>815</u> | |
| Total current liabilities | | | | | |
| Deferred Credits: | | | | | |
| Accumulated deferred income taxes | 3,419 | 246,282 | 397 | | |
| Accumulated deferred investment tax credits | | 38,462 | | | |
| Regulatory liabilities | | 316,384 | | | |

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| | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Asset retirement obligation | | 46,416 | | | |
| Minimum pension liability | | 128,825 | | | |
| Accrued postretirement benefits cost | | 20,638 | | | |
| Other deferred credits | 2,897 | 151,502 | 512 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred credits | 6,316 | 948,509 | 909 | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Commitments and Contingencies | | | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$1,179,184 | \$3,299,304 | \$ 1,159 | \$ 1,043 | \$ |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

**PNM RESOURCES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
CAPITALIZATION AND LIABILITIES (Continued)
As of December 31, 2003**

| | <u>SUNTERRA GAS GATHERING</u> | <u>SUNTERRA GAS PROCESSING</u> | <u>ELIMINATIONS</u> | <u>PNM RESOURCES CONSOLIDATED</u> |
|--|---------------------------------------|--|---------------------|---|
| | (In thousands) | | | |
| Capitalization: | | | | |
| Common stock equity: | | | | |
| Common stock outstanding - 39,747 shares | \$ | \$ | \$ (581,561) | \$ 647,722 |
| Additional paid-in capital | (1,922) | (1,076) | (594,138) | |
| Accumulated other comprehensive income, net of tax | | | | (73,487) |
| Retained earnings | 1,952 | 1,086 | 150,790 | 503,069 |
| | <u>30</u> | <u>10</u> | <u>(1,024,909)</u> | <u>1,077,304</u> |
| Cumulative preferred stock without mandatory redemption requirements | | | | 12,800 |
| Long-term debt, less current maturities | | | | 987,210 |
| | <u>30</u> | <u>10</u> | <u>(1,024,909)</u> | <u>2,077,314</u> |
| Current Liabilities: | | | | |
| Short-term debt | | | (2,550) | 125,918 |
| Accounts payable | | | (20) | 86,155 |
| Intercompany accounts payable | | | (74,622) | |
| Accrued interest and taxes | | | | 23,477 |
| Other current liabilities | | | | 110,031 |
| | <u>30</u> | <u>10</u> | <u>(77,192)</u> | <u>345,581</u> |
| Deferred Credits: | | | | |
| Accumulated deferred income taxes | | | | 250,098 |
| Accumulated deferred investment tax credits | | | | 38,462 |
| Regulatory liabilities | | | | 316,384 |
| Asset retirement obligation | | | | 46,416 |
| Minimum pension liability | | | | 128,825 |

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| | | | | |
|--------------------------------------|--------------|--------------|---------------|--------------|
| Accrued postretirement benefits cost | | | | 20,638 |
| Other deferred credits | | | | 154,911 |
| | _____ | _____ | _____ | _____ |
| Total deferred charges | | | | 955,734 |
| | _____ | _____ | _____ | _____ |
| Commitments and Contingencies | | | | |
| | _____ | _____ | _____ | _____ |
| | \$ 30 | \$ 10 | \$(1,102,101) | \$ 3,378,629 |
| | _____ | _____ | _____ | _____ |

EXHIBIT B

An organizational chart showing the relationship of each EWG or foreign utility company to associate companies in the holding-company system.

N/A

The above-named claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 27th day of February, 2004.

PNM RESOURCES, INC.

By: /s/ Patrick T. Ortiz

Patrick T. Ortiz
Senior Vice President, General Counsel and
Secretary

CORPORATE SEAL

Attest:

/s/ Jim Acosta

Jim Acosta, Assistant
Secretary

Name, title, and address of officer to whom notices and correspondence concerning this statement should be addressed:

Patrick T. Ortiz, Senior Vice President, General Counsel and
Secretary

(Name)

(Title)

PNM, Alvarado Square, Albuquerque,
NM 87158

(Address)