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PNM RESOURCES
Form 8-K
February 12, 2003

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

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest events reported) February 12, 2003

(February 11, 2003)

PNM RESOURCES, INC.

(Exact name of registrant as specified in its charter)

New Mexico	Commission	85-0468296
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(State or Other Jurisdiction of Incorporation)	File Number 333-32170	(I.R.S. Employer Identification) Number)

Alvarado Square, Albuquerque, New Mexico	87158
-----	-----
(Address of principal executive offices)	(Zip Code)

(505) 241-2700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

Item 9. Regulation FD Disclosure

The Company is filing to this Form 8-K its Quarter Ended December 31, 2002 Earnings Announcement, Unaudited Consolidated Statement of Earnings, Unaudited Consolidated Balance Sheets; Unaudited Consolidated Statement of Cash Flows; Comparative Operating Statistics and Other Select Financial Information.

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PNM Resources Reports 2002 Earnings

Highlights:

- o GAAP 2002 net earnings of \$1.61 per diluted share, compared to \$3.77 per share in 2001.
- o 2002 results included net one-time charges against earnings of \$0.20 per share; ongoing earnings for the year totaled \$1.81 per share.
- o Fourth Quarter 2002 GAAP net earnings of \$0.26 per diluted share, compared to \$0.11 per share in the final quarter of 2001.
- o Total operating revenues for 2002 of \$1.17 billion, compared to \$2.35 billion in the previous year.
- o Retail electric revenues increased 2.7 percent in 2002, to \$546.9 million, on retail sales of 7.4 million megawatt-hours (MWh).
- o Wholesale electric revenues for 2002 dropped 76.9 percent, to \$325.4 million, on a 24.9 percent decrease in MWh sales.

ALBUQUERQUE, N.M., February 11, 2003 - PNM Resources (NYSE: PNM) today reported consolidated net earnings available for common stock for the year ended December 31, 2002, of \$63.7 million, or \$1.61 per diluted share. In 2001, the company reported consolidated net earnings available for common stock of \$149.8 million, or \$3.77 per diluted share. For the quarter ended Dec. 31, 2002, the company reported earnings of \$0.26 per diluted share, compared to \$0.11 per diluted share in the final three months of 2001. A one-time gain and various one-time charges reduced 2002 earnings by a net of \$0.20 per share, including net charges of \$0.06 per share in the fourth quarter. Ongoing earnings were \$1.81 per share for the year and \$0.32 per share for the final quarter, compared to ongoing earnings of \$4.52 per share for all of 2001 and \$0.20 per share in the final quarter of 2001.

"In 2002, the upheaval in the wholesale power market caused a general decline in prices and sales activity," said PNM Resources Chairman, President and Chief Executive Officer Jeff Sterba.

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"Fortunately, PNM was not overextended, and our strategic plan has never depended on the short-term ups and downs in the power market," Sterba continued. "As a result, we finished the year with a healthy, investment-grade balance sheet, supported by the continuing steady cash flow and earnings from our electric and gas utility. We remain committed to participating in the wholesale power business as an asset-backed marketer, and we are well-positioned to benefit when that market regains equilibrium."

PNM Resources, Inc.
Reconciliation of Ongoing Earnings Per Share To GAAP Reported EPS
December 31, 2002

	Three Months		Twelve Months	
	Q4 2002	Q4 2001	YTD `02	YTD `01
GAAP Reported EPS	\$0.26	\$0.11	\$1.61	\$3.77
One-time charges	0.10	---	0.24	0.48
WR transaction costs (1)	(0.04)	0.09	(0.04)	0.27

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Ongoing earnings	\$0.32	\$0.20	\$1.81	\$4.52
	=====	=====	=====	=====
Average diluted shares (000s)	39,380	39,611	39,443	39,731

Note 1. This transaction with Western Resources has been terminated.

PERFORMANCE SUMMARY

PNM electric gross margin (Electric Operating Revenues less Fuel and Purchased Power Expense) for the fourth quarter 2002 was \$122.9 million, an increase of approximately \$7.1 million from the \$115.8 million reported in the comparable period last year. Electric gross margin was \$485.3 million for all of 2002, compared to \$679.9 million in 2001.

Gas gross margin (Gas Operating Revenues less Gas Purchased for Resale) was \$39.1 million in the final quarter of 2002, compared to \$36.0 million in the fourth quarter of 2001. Gas gross margin was \$133.1 million for the full year 2002, compared to \$134.1 million in 2001.

Non-fuel operations and maintenance (O&M) expense fell slightly for the latest quarter and decreased 4.6 percent for the full year compared to the same periods in 2001. In the latest quarter, the company recorded a one-time charge against earnings of \$1.6 million, or \$0.03 a share, due to severance costs related to a reduction in work force at Palo Verde Nuclear Generating Station and the Four Corners Power Plant in 2002. The company also recorded a charge of \$4.8 million, or \$0.07 a share, related to the cancellation of a planned transmission line project in northern New Mexico. Finally, in the fourth quarter the company also recorded a one-time gain of \$2.4 million, or \$0.04 cents a share to reflect the successful outcome of litigation stemming from the terminated transaction with Western Resources. In the final quarter of 2001, the company reported a one-time charge of \$10.0 million, or \$0.09 per share, in connection with that same transaction.

Other Recent Significant Developments

PNM Resources has recently announced several significant developments designed to lay the groundwork for future growth in revenues and earnings:

- o On January 28, New Mexico regulators approved an agreement lowering PNM electric rates by \$21 million in September 2003 and by another \$14 million in 2005. Rates will then be frozen at that level until at least 2008.

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- o Also in January, PNM began providing 80 Megawatts of power to the U.S. Navy facilities in San Diego. The contract, which runs through March 2005, is expected to gross \$42 million annually in revenues.
- o At the end of 2002, PNM negotiated an expanded, \$195 million revolving credit agreement with a group of 11 lenders.
- o In December 2002, the company also acquired one of two leases of a transmission line connecting the PNM system with the Texas electrical grid to the east. Purchasing the lease will allow PNM to retire approximately \$26 million in long-term lease bonds paying an interest rate of 10.25 percent.

Details of these announcements and other PNM Resources news are available at the company's website, pnm.com.

Earnings Guidance for 2003

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Based on its financial and operating forecasts, the company expects 2003 ongoing earnings will be in the range of between \$1.80 and \$2.05 per diluted share, not including a one-time charge of \$16.7 million, or \$0.26 per share the company plans to take in the first quarter 2003 as a result of the electric rate agreement approved by the New Mexico Public Regulation Commission (PRC) in January 2003. The company expects that 2003 earnings will benefit from lower fuel costs stemming from reduced coal costs for San Juan Generating Station, increased revenues from the company's wholesale power marketing business and from continued load growth in the PNM New Mexico service territory. In the final quarter of 2003, earnings will be reduced \$5 million with implementation of the decrease in retail electric rates approved by the PRC in January.

Earnings Teleconference Scheduled

PNM Resources has scheduled a teleconference for 9:00 a.m. Eastern Time on Wednesday, February 12, to discuss 2002 earnings and other issues of interest to shareholders and investors. The public is invited to listen to the teleconference by calling 1-973-317-5319. A webcast of the PNM Resources quarterly earnings presentation can be accessed through the company's website at pnm.com. A replay of the conference call will be available beginning at 11:00 a.m. (ET) on February 12 through 11:00 p.m. (ET) February 19, 2003, at 1-973-709-2089 (passcode 274494).

PNM Resources is an energy holding company based in Albuquerque, New Mexico. PNM, the principal subsidiary of PNM Resources, provides natural gas service to 441,000 gas customers and electric utility service to 378,000 customers in New Mexico. The company also sells power on the wholesale market in the Western U.S. PNM Resources stock is traded primarily on the NYSE under the symbol PNM.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Statements made in this filing that relate to future events are made pursuant to the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon current expectations and the company assumes no obligation to update this information. Because actual results may differ materially from expectations, the company cautions readers not to place undue reliance on these statements. Future financial results will be affected by a number of factors, including interest rates, weather, fuel costs, changes in supply and demand in the market for electric power, wholesale power prices, market liquidity, the competitive environment in the electric and natural gas industries, the performance of generating units and transmission system, state

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and federal regulatory and legislative decisions and actions, and the performance of state, regional and national economies. For a detailed discussion of the important factors affecting PNM Resources, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2001, Form 10-Q for the quarter ended September 30, 2002 and Form 8-K filings with the Securities and Exchange Commission.

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SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PNM RESOURCES, INC.

(Registrant)

Date: February 12, 2003

/s/ Robin Lumney

Robin Lumney
Vice President, Controller
and Chief Accounting Officer
(Officer duly authorized to sign this report)

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PNM RESOURCES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31		Twelve Months December	
	2002	2001	2002	
	(Unaudited)		(Unaudited)	
Operating Revenues				
Electric.....	\$218,134	\$260,752	\$895,474	\$1,168,996
Gas.....	82,705	66,748	272,118	1,168,996
Unregulated.....	152	81	1,404	1,404
Total operating revenues.....	300,991	327,581	1,168,996	1,168,996
Operating Expenses				
Cost of energy sold.....	138,843	175,662	550,053	1,067,222
Operation and maintenance expenses.....	100,788	101,465	359,630	1,067,222
Depreciation and amortization.....	26,633	24,594	102,409	1,067,222
Taxes, other than income taxes.....	9,654	8,866	34,243	1,067,222
Income taxes, net.....	4,570	(413)	20,887	1,067,222
Total operating expenses.....	280,488	310,174	1,067,222	1,067,222
Operating income.....	20,503	17,407	101,774	101,774
Other Income and Deductions, Net of Tax.....	5,707	3,517	23,910	23,910
Income before interest charges.....	26,210	20,924	125,684	125,684
Net Interest Charges.....	15,841	16,415	61,412	61,412
Net Earnings.....	10,369	4,509	64,272	64,272
Preferred Stock Dividend Requirements.....	146	146	586	586
Net Earnings Applicable to Common Stock.....	\$10,223	\$ 4,363	\$ 63,686	\$ 63,686
Earnings Per Share of Common Stock (Basic).....	\$ 0.26	\$ 0.11	\$ 1.63	\$ 1.63

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Average Shares Outstanding (Basic).....	39,118	39,118	39,118
Earnings Per Share of Common Stock (Diluted)....	\$ 0.26	\$ 0.11	\$ 1.61
Average Shares Outstanding (Diluted).....	39,380	39,611	39,443
Dividends Paid Per Share of Common Stock.....	\$ 0.22	\$ 0.20	\$ 0.88

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PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of December	
	2002	
	(Unaudited)	
	(In thousands)	
ASSETS		
Total utility plant.....	\$2,997,366	\$
Accumulated depreciation and amortization.....	(1,330,800)	(
Construction work in progress.....	176,756	
Nuclear fuel, net of accumulated amortization.....	26,833	
Net Utility Plant.....	1,870,155	
Other Property and Investments.....	444,232	
Current Assets		
Cash and cash equivalents.....	3,702	
Accounts receivables, net of allowance for uncollectible accounts....	76,850	
Unbilled revenues.....	49,079	
Short-term investments.....	79,630	
Other receivables.....	49,607	
Inventories.....	37,230	
Other current assets.....	56,779	
Total Current Assets.....	352,877	
Deferred Charges.....	364,716	
Total Assets.....	\$3,031,980	\$
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stock.....	\$ 624,119	
Accumulated other comprehensive income, net of tax.....	(94,721)	
Retained earnings.....	444,651	
Minority interest.....	11,760	
Preferred stock.....	12,800	
Long-term debt, less current maturities.....	980,092	
Total Capitalization.....	1,978,701	
Current Liabilities		

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Short-term debt.....	150,000	
Accounts payable.....	97,968	
Accrued interest and taxes.....	46,189	
Other current liabilities.....	99,019	
	-----	-----
Total Current Liabilities.....	393,176	
	-----	-----
Deferred Credits		
Accumulated deferred income taxes.....	125,595	
Accumulated deferred investment tax credits.....	41,583	
Other deferred credits.....	492,925	
	-----	-----
Total Deferred Credits.....	660,103	
	-----	-----
Total Capitalization and Liabilities.....	\$3,031,980	\$
	=====	=====

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PNM RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 3	
	2002	20
	(Unaudited)	
	(In thousands)	
Cash Flows From Operating Activities:		
Net earnings.....	\$ 64,272	\$ 1
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization.....	115,415	1
Other, net.....	12,722	
Changes in certain assets and liabilities:		
Accounts receivables.....	8,560	
Other assets.....	(40,499)	
Accounts payable.....	20,851	(
Other liabilities.....	(81,717)	
	-----	-----
Net cash flows provided from operating activities.....	99,604	3
	-----	-----
Cash Flows From Investing Activities:		
Utility plant additions.....	(240,226)	(2
Return of PVNGS lease obligation bonds.....	17,531	
Merger acquisition costs.....	-	(
Redemption of short-term investments.....	76,633	
Other investing.....	(54,367)	(1
	-----	-----
Net cash flows used in investing activities.....	(200,429)	(4
	-----	-----
Cash Flows From Financing Activities:		
Borrowings.....	115,000	
Exercise of employee stock options.....	(2,412)	
Dividends paid.....	(34,226)	(
Other Financing.....	108	
	-----	-----
Net cash flows provided by financing activities.....	78,470	

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Decrease in Cash and Cash Equivalents.....	(22,355)	(
Beginning of Period.....	26,057	1
End of Period.....	\$ 3,702	\$
Supplemental cash flow disclosures:		
Interest paid.....	\$ 59,441	\$
Capitalized interest.....	\$ 6,400	\$
Income taxes paid, net of refunds.....	\$ 13,541	\$
Long-term debt assumed for transmission line.....	\$ 26,152	\$

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PNM RESOURCES, INC. AND SUBSIDIARIES
COMPARATIVE OPERATING STATISTICS

The following table shows electric revenues by customer class and average customers:

	Electric Segment Revenues (In thousands)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Residential.....	\$ 47,543	\$ 44,815	\$ 197,174	\$ 187,600
Commercial.....	60,418	59,000	247,800	242,372
Industrial.....	19,770	20,591	82,009	82,752
Other.....	10,605	10,748	43,812	47,209
	\$ 138,336	\$ 135,154	\$ 570,795	\$ 559,933
Average customers.....	387,193	380,795	384,478	377,589

The following table shows electric sales by customer class:

	Electric Segment Sales (Megawatt hours)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Residential.....	554,830	521,620	2,298,542	2,197,891
Commercial.....	791,848	765,974	3,254,576	3,213,205
Industrial.....	387,325	393,000	1,612,723	1,603,266
Other.....	57,075	58,485	240,665	240,935

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1,791,078	1,739,079	7,406,506	7,255,297
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PNM RESOURCES, INC. AND SUBSIDIARIES
COMPARATIVE OPERATING STATISTICS

The following table shows gas revenues by customer and average customers:

	Gas Segment Revenues (In thousands)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Residential.....	\$53,926	\$44,208	\$172,200	\$ 232,321
Commercial.....	15,692	12,520	52,530	68,895
Industrial.....	1,460	978	2,872	27,519
Transportation*.....	5,185	3,751	17,735	20,188
Other.....	6,442	5,291	26,781	36,495
	\$82,705	\$66,748	\$272,118	\$ 385,418
Average customers.....	446,503	437,730	443,396	434,591

*Customer-owned gas.

The following table shows gas throughput by customer class:

	Gas Segment Throughput (Thousands of decatherms)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Residential.....	10,836	9,491	29,627	27,848
Commercial.....	4,183	3,554	12,009	10,421
Industrial.....	359	255	749	3,920
Transportation*.....	9,663	10,152	44,889	51,395
Other.....	901	814	4,806	4,355
	25,942	24,266	92,080	97,939

*Customer-owned gas.

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PNM RESOURCES, INC. AND SUBSIDIARIES COMPARATIVE OPERATING STATISTICS

The following table shows revenues by customer class:

Generation and Marketing Revenues By Market (In thousands)				
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Intersegment sales.....	\$ 84,381	\$ 81,882	\$348,935	\$ 341,608
Long-term contracts.....	7,972	15,488	40,132	77,250
Other merchant sales *....	67,254	108,573	266,956	1,326,020
Other.....	4,748	1,714	18,297	2,646
	\$ 164,355	\$207,657	\$674,320	\$1,747,524
	=====	=====	=====	=====

*Includes mark-to-market gains/(losses).

The following table shows sales by customer class:

Generation and Marketing Sales By Market (Megawatt hours)				
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Intersegment sales.....	1,791,078	1,739,079	7,406,506	7,255,297
Long-term contracts.....	175,069	293,154	844,168	1,463,031
Other merchant sales.....	2,036,978	2,457,446	8,605,987	11,114,069
	4,003,125	4,489,679	16,856,661	19,832,397
	=====	=====	=====	=====

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Table 1. Reconcile GAAP to Ongoing 2002 vs. 2001

	4thQ02	2002	4thQ01	2001
GAAP Earnings (diluted)	\$0.26	\$1.61	\$0.11	\$3.77
One-Time Items	-	-	-	-
Re-alignment costs	-	0.14	-	-
Severance costs	0.03	0.03	-	-
Transmission line write-off	0.07	0.07	-	-
Merger acquisition costs	(0.04)	(0.04)	0.09	0.27
Avistar investments	-	-	-	0.20
Coal mine decommissioning	-	-	-	0.20
Contribution to PNM Foundation	-	-	-	0.08
Ongoing earnings:	\$0.32	\$1.81	\$0.20	\$4.52

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Table 2. Reconcile GAAP to Ongoing Earnings - Quarterly, 1999-2002

	1stQ	2ndQ	3rdQ	4thQ	Year-End
2002					
GAAP Earnings	\$0.63	\$0.28	\$0.45	\$0.26	\$1.61
One-Time Charges	-	-	0.14	0.06	0.20
Ongoing Earnings	\$0.63	\$0.28	\$0.59	\$0.32	\$1.81
2001					
GAAP Earnings	\$1.60	\$1.24	\$0.82	\$0.11	\$3.77
One-Time Charges	0.17	0.34	0.14	0.09	0.75
Ongoing Earnings	\$1.77	\$1.58	\$0.96	\$0.20	\$4.52
2000					
GAAP Earnings	\$0.55	\$0.45	\$1.18	\$0.35	\$2.53
One-Time Charges	-	-	(0.17)	0.23	0.05
Ongoing Earnings	\$0.55	\$0.45	\$1.01	\$0.58	\$2.58
1999					
GAAP Earnings	\$0.63	\$0.44	\$0.52	\$0.41	\$2.01
One-Time Charges	(0.08)	(0.03)	-	0.02	(0.10)
Ongoing Earnings	\$0.55	\$0.41	\$0.52	\$0.43	\$1.91

Table 3. Performance of Plants

	Equivalent Availability Factor - YTD	Net Capacity Factor
2002		
San Juan	89.70%	85.90%
Four Corners	75.50	73.10
Palo Verde	94.40	94.40
2001		
San Juan	84.70	82.10
Four Corners	86.60	85.80
Palo Verde	88.10	88.10
2000		
San Juan	88.90	85.60
Four Corners	83.45	83.40
Palo Verde	92.70	92.70

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Table 4. Capital Expenditures

	2002 (Actual) (in Millions)	2003 (In Millions, Est.)	2003-2007 (In Millions, E)
Gas			
Transmission & Distribution	\$47	\$43	\$168
Electric			
Transmission & Distribution	\$63	\$54	\$263

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Generation	\$114	\$45	\$197
Corporate	\$14	\$14	\$80
TOTAL	\$238	\$156	\$708

Table 5. 2003 Earnings Guidance

\$1.80 2003 EPS Range \$2.05			
Low End Assumptions:		EPS Opportunities/Risks:	
-Avg. wholesale price	\$34/MWh	- Wholesale price	\$1+/- = \$0.05
-Merchant sales velocity	1.5x	- Merchant sales velocity	0.1x +/- = \$0.0
-Spark spread	\$1/MWh	-Improved spark spread	\$5/MWh = \$0.06
-Retail electric growth	2.5%	-Retail electric growth	1%+/- = \$0.05
-Retail gas growth	1.0%	-Retail gas growth	1%+/- = 40.02

Please note that these are simplifying guidelines that attempt to quantify a number of complex and interdependent factors affecting the company's earnings. These are provided to generally assist investors in developing their own independent assessment of the company's future earnings prospects.

Table 6. Historical Market Data

	Spark Spread*		Merchant Sales Velocity	
	Q4 Only	Annual	Q4 Only	Annual
2002	1.43	(0.04)	1.81	1.61
2001	2.87	78.03	1.91	1.93
2000	104.73	75.95	1.73	1.88
1999	8.35	8.49	1.81	1.80

* Source: RDI

Table 7. Pension & Health Care Costs

	2002	2003
Pension	\$ (1,392,382)	\$ 3,800,000
Health Care	\$11,350,240	\$12,993,212

The increase in pension expense is due to the dramatic decline in the capital markets during the last two years. Pension expense is expected to decline in future years. The Company is considering additional funding in

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2003.

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Table 8. Current Liquidity Arrangements as of 12/31/2002

PNM ---	PNM Resources -----
\$195 million unsecured Revolver- \$100 million Drawn	\$15 million unsecured Local Lines of Credit - \$ 0 Drawn
-----	-----
\$ 20 million unsecured Local Lines of Credit - \$0 Drawn	\$83.3 million in Cash and Liquid Investments
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