September 7, 2010

Technical Director
File Reference No. 1830-100

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Board Members:

PNM Resources, Inc. ("PNMR") appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “FASB’s”) above referenced Exposure Draft (the “Proposed Update”), Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. PNMR is an investor-owned holding company of energy and energy-related businesses. PNMR’s subsidiaries provide wholesale and retail electric generation, transmission, and distribution in both rate-regulated and unregulated energy markets. PNMR routinely enters into physical and financial energy-related contracts to hedge its retail, wholesale, and rate-regulated operations, some of which are recorded at fair value. PNMR also has other assets and liabilities that are recorded at fair value or for which fair value is disclosed. In addition, PNMR maintains several defined benefit, defined contribution, and health and welfare benefit plans for its qualifying employees, which are funded and require audited financial statements that include fair value information.

Our comments are as follows:

Questions 5 and 6 – The rationale for prohibiting the use of a blockage factor but requiring other premiums and discounts (including controlling or noncontrolling interest factors) in not clear and seems inconsistent. Likewise, requiring controlling or noncontrolling factors to be considered in Level 2 and 3 measurements, but prohibited in Level 1 measurements seems inconsistent. For example, if controlling interests were owned in two identical companies, one of which is publicly traded and the other is not, it is likely the fair value for the non-public entity would be a Level 2 or 3 measurement and a control premium would be considered, but could produce a greater fair value than the Level 1 measurement for the public entity. We suggest that either all factors be considered or they all be excluded.

Questions 7 and 12 – We believe the requirement for an uncertainty analysis for Level 3 measurements will require a fairly extensive amount of effort without providing much meaningful information to users of financial statements. Uncertainty is, by definition, inherently present in any Level 3 measurement and that should be know to readers of financial statements. Absent an objective standard for variability (such as is required for a 1% change in the health care cost trend) the uncertainty analysis would probably not provide information that would be universally applied or comparable between entities and, therefore, not very useful to readers of financial statements. The example disclosure in 820-10-55-80 of the Proposed Update merely points out that different inputs would result in different values. The example does not provide information necessary for readers of financial statements to understand the nature of the variability in the fair value ranges, which unobservable inputs were used for which measurements, or what degree each would impact the measurements. In addition, any uncertainty analysis would need to be subject to the audit procedures applied by independent auditors. The uncertainty analysis would be even more subjective than the underlying Level 3 measurements, which would increase the difficulty of audit and would increase the audit cost while providing little benefit. We believe the FASB should reject the requirement for an uncertainty analysis.
Questions 1, 7, 8, 11, and 12 - It is unclear if the Proposed Update is intended to apply to fair value determination in the financial statements of employee benefit plans. The financial statements of certain benefit plans are filed with the SEC on Form 11-K, while others are only filed with the Department of Labor and many of those utilize the limited scope audit permitted by the DOL rules. The main purpose of benefit plan financial statements is to provide information to plan participants rather than potential equity investors or creditors. Therefore, many of the requirements of the Proposed Update will be irrelevant to users of benefit plan financial statements. Many benefit plan financial statements rely significantly, if not entirely, on fair value information provided by outside trustees or pricing services. The Proposed Update would require significant additional effort from these entities, which would increase costs without much benefit. Likewise, additional audit efforts and costs would be incurred. We suggest the FASB exclude benefit plan financial statements from the scope of the Proposed Update or clarify which, if any, of the provisions of the Proposed Update are intended to apply to the financial statements of benefit plans.

Effective Date – If the Proposed Update is adopted, the FASB should allow adequate time for implementation. This will be most important if the requirement for an uncertainty analysis is retained. If the uncertainty analysis requirement is retained, the effective date should be delayed at least one year from the adoption date. Furthermore, the FASB should consider how this Proposed Update interplays with other FASB projects in order to not require entities to constantly be restating/recasting their financial statements. Perhaps adoption of all the convergence projects should be delayed until the convergence is completed or when IFRS is required for US companies.

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Thank you for this opportunity to submit our views on the Proposed Update.

Sincerely,

Henry A. Ingalls
Director, SEC Reporting and GAAP Analysis
PNM Resources, Inc.