



September 4, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Exposure Draft ED/2013/5 – Regulatory Deferral Accounts

PNM Resources, Inc. appreciates the opportunity to comment on the International Accounting Standards Board's (IASB) Exposure Draft – Regulatory Deferral Accounts (the "ED"). PNM Resources, Inc. is a diversified energy company in the United States with approximately \$5.4 billion of assets, \$1.3 billion in annual revenues, and almost \$1.9 billion in market capitalization. Our subsidiaries and affiliates are involved in the generation, transmission and distribution of electricity, as well as energy management and other energy-related services primarily in New Mexico and Texas.

We believe rate regulation provides an element of economic substance that should be recognized in the financial statements of regulated enterprises in certain circumstances. Accordingly, recording assets and liabilities to reflect the economic impacts of the actions of the rate regulators on regulated companies' financial position and results of operation is appropriate. We therefore support the relief provided under the ED for those adopting IFRS prior to completion of the IASB's consideration of these matters within its overall project on rate regulation.

We agree with the proposals in the ED other than the following. Regarding Question 6, we do not believe presenting the change in regulatory deferrals separately on the income statement is appropriate. Changes in pension regulatory assets frequently impact Other Comprehensive Income ("OCI"). There may be some entities where regulatory deferrals related to derivatives, marketable securities, or other items also impact OCI. In addition, and more importantly, separating the change in regulatory deferrals on the income statement will distort the proper presentation of the results of regulated operations, the relationship between revenues and expenses, and important financial metrics used by rating agencies, analysts, and others. Furthermore, it does not appear that the disclosures proposed in the ED would enable users of financial statements to re-cast the income statement in a regulatory format.

It seems a much better way to accomplish the objective would be to require footnote disclosure of the significant impacts of the changes in regulatory deferrals on the line items in the income statement and OCI statements. This would be somewhat analogous to the

presentation specified by the Financial Accounting Standards Board's new OCI standard. An example of this presentation could be something similar to the following:

A summary of regulatory deferrals is as follows:

Net regulatory assets and liabilities at the beginning of the period	\$xx
Net regulatory assets and liabilities at the end of the period	<u>xx</u>
Change in net regulatory assets and liabilities during the period	<u>\$yy</u>

The net change in regulatory assets and liabilities during the period is reflected in the following financial statement line items:


Impacts reflected in statement of net earnings	
Operating revenues	\$xx
Cost of energy	xx
Operating expenses	xx
Depreciation and amortization	xx
Other	<u>xx</u>
Net increase (decrease) in net earnings	<u>xx</u>
Impacts reflected in statement of comprehensive income	
Change in pension obligation	xx
Other	<u>xx</u>
Net increase (decrease) in comprehensive income	<u>xx</u>
Change in net regulatory assets and liabilities during the period	<u>\$yy</u>

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We appreciate the efforts of the IASB on this project and the opportunity to provide our input on the ED. We would be pleased to discuss our comments and to provide any additional information that you may find helpful.

Sincerely,

PNM Resources, Inc.



Henry A. Ingalls
Director, SEC Reporting and GAAP Analysis