

**APPROVED BY THE BOARD OF DIRECTORS**  
**Amended February 14, 2006**

**CHARTER**  
**GOVERNANCE AND PUBLIC POLICY COMMITTEE**

Committee Coordinator – William J. Real

**A. PURPOSE**

1. The Governance and Public Policy Committee (the "Committee") shall be a standing committee appointed by the Board of Directors with responsibility to:
  - a. identify individuals qualified to become board members;
  - b. recommend to the Board director nominees for the next annual meeting of shareholders;
  - c. develop and recommend to the Board a set of corporate governance principles applicable to the Company; and
  - d. oversee the evaluation of the Board and critical management policies, initiatives and community activities.
2. The Committee shall be responsible for monitoring, evaluating and recommending appropriate actions to the Board regarding the Company's public responsibilities, corporate image and corporate citizenship such that the Company is held in high regard by its customers, shareholders, government officials, and the public at large.
3. The Committee shall have oversight responsibility regarding conflicts of interest. The Committee shall have authority to consider requests for waivers for a Director or Executive Officer of the Company's Principles of Business Conduct, for recommendation to the Board.

**B. STRUCTURE AND OPERATIONS**

1. The Committee shall consist of at least three independent directors appointed by the Board upon the recommendation of the Committee. All members of the Committee shall be free of any relationships that would interfere with their exercise of independent judgment and shall meet the membership requirements established by the New York Stock Exchange. The Committee shall annually elect one of its members to be the Chair.
2. The Committee shall meet as often as it deems appropriate, but not less frequently than three times a year.
3. The Committee has the authority to initiate and supervise investigations into any matters within the scope of its authority and responsibilities. The Committee is authorized to retain the services of internal or outside legal, accounting and other advisors, as it deems necessary in the fulfillment of its duties. The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates, and to approve the search firm's fees and other retention terms. The Committee and its designees shall have unlimited accessibility to all the Company's records, property, and employees. The Committee shall have sufficient funding to carry out its duties, including funding for payment of compensation to search firms used to identify director candidates; payment for any advisors used by the Committee; and ordinary administrative expenses necessary and appropriate in carrying out its duties.

4. The Committee may delegate specific responsibilities to a subcommittee of one or more of its members provided that the subcommittee shall keep the full Committee informed of its activities.

### **C. DUTIES AND RESPONSIBILITIES**

1. The Committee shall develop candidate qualifications for Board membership. General qualifications for Board membership shall be included in the corporate governance principles recommended by the Committee and approved by the Board.
2. The Committee shall recommend to the Board nominees for election to the Board.
3. The Committee shall recommend to the Board nominees to fill Board vacancies.
4. The Committee shall recommend to the Board the composition and organization of the Board, including committee assignments. The Committee shall recommend nominees for committee chairs.
5. The Committee shall develop and recommend to the Board standards for determining director independence consistent with the requirements of the New York Stock Exchange and other applicable laws or regulations. The Committee shall review and assess these standards on a periodic ongoing basis.
6. The Committee shall review the qualifications and independence of the members of the Board and its various committees on a periodic basis and recommend the affirmation of Director independence to the Board as appropriate.
7. The Committee shall review any proposed amendments to the Company's Articles of Incorporation and Bylaws and recommend appropriate action to the Board.
8. The Committee shall recommend Board compensation levels and stock ownership guidelines.
9. The Committee shall review and recommend on a periodic basis to the full Board the optimum size of the Board.
10. The Committee shall review Board practices, which influence the effectiveness of the Board, including conflict of interest and Board effectiveness evaluations. The Committee shall develop and recommend evaluation processes for use by the committees of the Board in conducting their annual self-evaluations.
11. The Committee shall recommend criteria for a continuing education program for directors and provide information on corporate board and utility industry education programs.
12. The Committee shall recommend criteria to be applied in determining directors' continued board service, and shall periodically review directors' performance.
13. The Committee shall review the nature and adequacy of information supplied to directors regarding Company activities, industry trends and public policy developments.
14. The Committee shall review the Company's key public policy positions taken in legislative, regulatory and judicial forums.
15. The Committee shall monitor the Company's corporate image strategy, community involvement; communication initiatives, and results, including PNM Resources Foundation and corporate charitable giving programs.

16. The Committee shall have the responsibility to review the Corporate Governance Principles and recommend desirable changes to the Board.
17. The Committee shall have authority to consider requests for waivers for a Director or Executive Officer of the Company's Principles of Business Conduct. There shall be a strong presumption against providing any waivers. Any waivers granted must be accompanied by terms and conditions sufficient to protect the Company under the circumstances. Any waiver of the principles for any Director or Executive Officer shall be referred to the full Board for final approval and if granted, shall promptly be disclosed to shareholders.
18. The Committee shall develop and circulate to the Directors and Officers a Conflict of Interest Questionnaire to be completed annually. If an actual or potential conflict of interest arises for a Director, the Committee shall address the matter with the Director and promptly inform the CEO and the Board. If a significant conflict exists and cannot be resolved, the Committee shall seek the Director's resignation. Any conflict of interest issue involving the CEO shall be referred to the Board for resolution. Any conflict of interest issue involving any other Officer of the Company shall be referred to the CEO for resolution with the requirement that the CEO shall report to the Committee how the matter was resolved.
19. The Committee shall conduct an annual evaluation of its performance and shall submit an annual report to the Board regarding the evaluation and confirming that all responsibilities described in this Charter have been fulfilled.
20. The Committee shall review this Charter at least annually and recommend any appropriate changes to the Board for approval.