Palo Verde Nuclear
Generating Station

Gregg R. Overbeck
Senior Vice President
Nuclear

TEL (623) 393-5148
FAX (623) 393-6077

Mail Station 7602
P.O. Box 52034
Phoenix, AZ 85072-2034

102-04435-GRO/SAB/RJR
April 26, 2000

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Mail Station P1-37
Washington, DC 20555-0001

Dear Sirs:

Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2 and 3
Docket Nos. STN 50-528/529/530
Request for Amendment to Facility Operating Licenses to Change an Owner/Lessee Name

Pursuant to 10 CFR 50.90, Arizona Public Service Company (APS) applies for an amendment to the facility operating license for each Palo Verde Nuclear Generating Station (PVNGS) Unit. The proposed amendment would change the name of joint owner/lessee Public Service Company of New Mexico (PNM) to Manzano Energy Corporation.

This request is contingent upon the approval of Public Service Company of New Mexico's 10 CFR 50.80 , application for NRC consent to the indirect transfer of control of its PVNGS license, dated March 3, 2000. APS is requesting an implementation schedule for this amendment that will coincide with the implementation schedule of PNM's 10 CFR 50.80 request.

Provided in the enclosure to this letter are the following sections which support the proposed license amendment:

A. Need for the License Amendment
B. Description of the Proposed License Amendment
C. Purpose of the Facility Operating License
D. Safety Analysis of the Proposed License Amendment
E. No Significant Hazards Consideration Determination
F. Environmental Consideration
G. Marked-up Facility Operating License Pages

A001

In accordance with PVNGS Quality Assurance Program, the Plant Review Board and Offsite Safety Review Committee have reviewed and concurred with this proposed amendment. By copy of this letter, this submittal is being forwarded to the Arizona Radiation Regulatory Agency (ARRA) pursuant to 10 CFR 50.91(b)(1).

No commitments are being made to the NRC by this letter.

Should you have any questions, please contact Scott A. Bauer at (602) 393-5978.

Sincerely,

Gregg R. Overbeck

GRO/SAB/RJR/mah

Enclosure

cc: E. W. Merschoff (all w/Enclosure)
M. B. Fields
J. H. Moorman
A. V. Godwin
M. F. Travieso-Diaz, Esq., SHAW PITTMAN
B. F. Montoya, Public Service Company of New Mexico

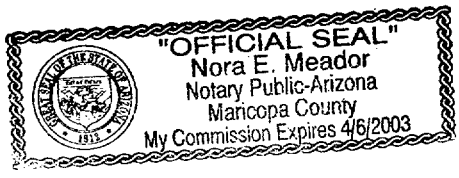
STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

I, G. R. Overbeck, represent that I am Senior Vice President – Nuclear, that the foregoing document has been signed by me on behalf of Arizona Public Service Company with full authority to do so, and that to the best of my knowledge and belief, the statements made therein are true and correct.

G. R. Overbeck

Sworn To Before Me This 26 Day Of April, 2000.

Notary Public



Notary Commission Stamp

Request for Amendment to Facility Operating License

A. NEED FOR THE LICENSE AMENDMENT

This proposed amendment will change the name of owner/lessee, Public Service Company of New Mexico (PNM) to Manzano Energy Corporation.

This amendment is needed to support the application filed by PNM under 10CFR50.80 for NRC consent to the indirect transfer of control of PNM's licenses to hold minority interests (both owned and leased) in the Palo Verde Nuclear Generating Station, Units 1, 2 and 3 ("PVNGS" or "the PVNGS Units") to a holding company, Manzano Corporation. Manzano Corporation was created to implement the public utility restructuring requirements of the New Mexico Electric Utility Industry Restructuring Act of 1999, SB 428, NMSA 1978, §§ 62-3A-1 through 23 (1999) (the "Restructuring Act"). See the information submittal in support of the PNM application enclosed as Attachment B to PNM's "Application by Public Service Company of New Mexico for Consent to Indirect Transfers of Control and Approval of License Amendments to Reflect Licensee's Name Change" dated March 3,2000.

B. DESCRIPTION OF THE PROPOSED LICENSE AMENDMENT

This proposed amendment would change the name of owner/lessee Public Service Company of New Mexico to Manzano Energy Corporation in PVNGS Units 1, 2 and 3 operating licenses.

C. PURPOSE OF THE FACILITY OPERATING LICENSE

The purpose of the facility operating license is to identify the entities who posses the facility license and of those entities, who may use and operate the designated facility. The facility operating license also contains conditions to which licensee(s) are subject.

D. SAFETY ANALYSIS OF THE PROPOSED LICENSE AMENDMENT

This proposed amendment to the PVNGS operating licenses would change the name of owner/lessee Public Service Company of New Mexico to Manzano Energy Corporation. PVNGS would continue to be operated by APS with no impact from this proposed administrative change. As a result, this proposed amendment will not change, degrade, or prevent actions described or assumed in any accident. Nor will it alter any assumptions previously made in evaluating radiological consequences or affect any fission product barriers. This proposed amendment does not increase any challenges to safety systems. Therefore, this proposed amendment would not increase or have any impact on the consequences of events described and evaluated in Chapter 6 or Chapter 15 of the Palo Verde Nuclear Generating Station Updated Final Safety Analysis Report.

E. NO SIGNIFICANT HAZARDS CONSIDERATION DETERMINATION

The Commission has provided standards for determining whether a significant hazards consideration exists as stated in 10 CFR 50.92. A proposed amendment to an operating license for a facility involves no significant hazards consideration if operation of the facility in accordance with a proposed amendment would not: (1) Involve a significant increase in the probability or consequences of an accident previously evaluated; or (2) Create the possibility of a new or different kind of accident from any accident previously evaluated; or (3) Involve a significant reduction in a margin of safety. A discussion of these standards as they relate to this amendment request follows:

Standard 1 -- Does the proposed change involve a significant increase in the probability or consequences of an accident previously evaluated?

No The proposed name change of owner/lessee Public Service Company of New Mexico to Manzano Energy Corporation does not involve a significant increase in the probability or consequences of an accident previously evaluated because it does not represent a change to design configuration or operation of the plant. PVNGS will continue to be operated by APS with no impact from this proposed administrative change.

Standard 2 -- Does the proposed change create the possibility of a new or different kind of accident from any accident previously evaluated?

No The proposed name change of owner/lessee Public Service Company of New Mexico to Manzano Energy Corporation does not create the possibility of a new or different kind of accident from any accident previously evaluated because the change does not impact the response or operation of the plant. The availability and operability of the plant equipment is unchanged, as the design requirements have not changed.

Standard 3 -- Does the proposed change involve a significant reduction in a margin of safety?

No This proposed name change of owner/lessee Public Service Company of New Mexico to Manzano Energy Corporation does not involve a significant reduction in the margin of safety because the design, function, and operating limits of plant equipment have not changed.

F. ENVIRONMENTAL CONSIDERATION

APS has determined that the proposed amendment involves no changes in the amount or type of effluent that may be released offsite, and results in no increase in individual or cumulative occupational radiation exposure. As described above, the proposed facility

license amendment involves no significant hazards consideration and, as such, meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(9).

G. MARKED-UP FACILITIY OPERATING LICENSE PAGES

Attachment 1 Units 1, 2, and 3:

ATTACHMENT 1

REVISED FACILITY OPERATING LICENSE PAGES

Units 1, 2, and 3

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

ARIZONA PUBLIC SERVICE COMPANY

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EL PASO ELECTRIC COMPANY

SOUTHERN CALIFORNIA EDISON COMPANY

~~PUBLIC SERVICE COMPANY OF NEW MEXICO~~ MANZANO ENERGY CORPORATION

LOS ANGELES DEPARTMENT OF WATER AND POWER*

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

DOCKET NO. STN 50-528

PALO VERDE NUCLEAR GENERATING STATION, UNIT 1

FACILITY OPERATING LICENSE

License No. NPF-41

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:

   A. The application for license filed by Arizona Public Service Company, on behalf of itself and the Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico (now known as Manzano Energy Corporation), Los Angeles Department of Water and Power*, and Southern California Public Power Authority (licensees), complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made;

   B. Construction of the Palo Verde Nuclear Generating Station, Unit 1 (facility) has been substantially completed in conformity with Construction Permit No. CPPR-141 and the application, as amended, the provisions of the Act and the regulations of the Commission;

   C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D below);

*Los Angeles Department of Water and Power will be included as an owner in this license on the date it officially acquires an ownership interest in the facility which is expected to occur shortly after Palo Verde Nuclear Generating Station, Unit 1 achieves commercial operation.

D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D below);

E. Arizona Public Service Company* is technically qualified to engage in the activities authorized by this operating license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements", of the Commission's regulations;

G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;

H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental and other costs, and after considering available alternatives, the issuance of this Facility Operating License No. NPF-41, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and

I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.

2. Pursuant to approval by the Nuclear Regulatory Commission at a meeting held on May 30, 1985, the license for fuel loading and low power testing, License No. NPF-34, issued on December 31, 1984, is superseded by Facility Operating License No. NPF-41 hereby issued to the Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority (licensees) to read as follows:

(now known as Manzano Energy Corporation)

*Arizona Public Service Company is authorized to act as agent for Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, ~~Public Service Company of New Mexico~~, Los Angeles Department of Water and Power, and Southern California Public Power Authority and has exclusive responsibility and control over the physical construction, operation and maintenance of the facility.

Manzano Energy Corporation

A. This license applies to the Palo Verde Nuclear Generating Station, Unit 1, a pressurized water reactor and associated equipment (facility) owned by the licensees. The facility is located on the licensees' site in Maricopa County, Arizona and is described in the licensees' Final Safety Analysis Report, as supplemented and amended through Amendment No. 14; in the related CESSAR Final Safety Analysis Report, as supplemented and amended through Amendment No. 8; and in their Environmental Report, as supplemented and amended through Supplement No. 4.

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

(1) Pursuant to Section 103 of the Act and 10 CFR Part 50, Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority to possess, and Arizona Public Service Company (APS) to use and operate the facility at the designated location in Maricopa County, Arizona, in accordance with the procedures and limitations set forth in this license;

(2) Pursuant to the Act and 10 CFR Part 70, APS to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the licensees' Final Safety Analysis Report, as supplemented and amended through Amendment No. 14 and the CESSAR Final Safety Analysis Report as supplemented and amended through Amendment No. 8;

(3) Pursuant to the Act and 10 CFR Parts 30, 40 and 70, APS to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

(4) Pursuant to the Act and 10 CFR Part 30, 40 and 70, APS to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and

(5) Pursuant to the Act and 10 CFR Parts 30, 40, and 70, APS to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

(6)(a) Pursuant to an Order of the Nuclear Regulatory Commission dated December 12, 1985, the Public Service Company of New Mexico (PNM) was authorized to transfer a portion of its ownership share in Palo Verde, Unit 1 to certain institutional investors on December 31, 1985, and at the same time has leased back from such purchasers the same interest in the Palo Verde, Unit 1 facility. The term of the lease is to January 15, 2015, subject to a right of renewal. Additional sale and leaseback transactions (for a term expiring on January 15, 2015) of all or a portion of PNM's remaining ownership share in Palo Verde Unit 1 are hereby authorized until June 30, 1987. Any such sale and leaseback transaction is subject to the representations and conditions set forth in the aforementioned applications of October 19, 1985, February 5, 1986, October 16, 1986 and November 26, 1986, and the Commission's Order of December 12, 1985, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 1. For purposes of this condition, the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 1 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.

(now known as Manzano Energy Corporation)

(b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 1 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.

Amdt. # 11, DEC 11 1986

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

ARIZONA PUBLIC SERVICE COMPANY

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EL PASO ELECTRIC COMPANY

SOUTHERN CALIFORNIA EDISON COMPANY

~~PUBLIC SERVICE COMPANY OF NEW MEXICO~~ Manzano Energy Corporation

LOS ANGELES DEPARTMENT OF WATER AND POWER

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

DOCKET NO. STN 50-529

PALO VERDE NUCLEAR GENERATING STATION, UNIT 2

FACILITY OPERATING LICENSE

License No. NPF-51

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:

(now known as Manzano Energy Corporation)

A. The application for license filed by Arizona Public Service Company, on behalf of itself and the Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority (licensees), complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made;

B. Construction of the Palo Verde Nuclear Generating Station, Unit 2 (facility) has been substantially completed in conformity with Construction Permit No. CPPR-142 and the application, as amended, the provisions of the Act and the regulations of the Commission;

C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D below);

D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D below);

E. Arizona Public Service Company* is technically qualified to engage in the activities authorized by this operating license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements", of the Commission's regulations;

G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;

H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental and other costs, and after considering available alternatives, the issuance of this Facility Operating License No. NPF-51, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and

I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.

2. Pursuant to approval by the Nuclear Regulatory Commission at a meeting held on April 23, 1986, the license for fuel loading and low power testing, License No. NPF-46, issued on December 9, 1985, is superseded by Facility Operating License No. NPF-51 hereby issued to the Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority (licensees) to read as follows: (now known as Manzano Energy Corporation)

*Arizona Public Service Company is authorized to act as agent for Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, ~~Public Service Company of New Mexico~~, Los Angeles Department of Water and Power, and Southern California Public Power Authority and has exclusive responsibility and control over the physical construction, operation and maintenance of the facility.

Manzano Energy Corporation

A. This license applies to the Palo Verde Nuclear Generating Station, Unit 2, a pressurized water reactor and associated equipment (facility) owned by the licensees. The facility is located on the licensees' site in Maricopa County, Arizona and is described in the licensees' Final Safety Analysis Report, as supplemented and amended; in the related CESSAR Final Safety Analysis Report, as supplemented and amended through Amendment No. 8; and in their Environmental Report, as supplemented and amended.

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses: Manzano Energy Corporation

(1) Pursuant to Section 103 of the Act and 10 CFR Part 50, Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, ~~Public Service Company of New Mexico~~, Los Angeles Department of Water and Power, and Southern California Public Power Authority to possess, and Arizona Public Service Company (APS) to use and operate the facility at the designated location in Maricopa County, Arizona, in accordance with the procedures and limitations set forth in this license;

(2) Pursuant to the Act and 10 CFR Part 70, APS to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the licensees' Final Safety Analysis Report, as supplemented and amended, and the CESSAR Final Safety Analysis Report as supplemented and amended through Amendment No. 8;

(3) Pursuant to the Act and 10 CFR Parts 30, 40 and 70, APS to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

(4) Pursuant to the Act and 10 CFR Part 30, 40 and 70, APS to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and

(5) Pursuant to the Act and 10 CFR Parts 30, 40, and 70, APS to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

(now known as Manzano Energy Corporation)

(6)(a) Public Service Company of New Mexico (PNM) is authorized to transfer all or a portion of its 10.2% ownership share in Palo Verde, Unit 2 and a proportionate share of a third of PNM's interest in the Palo Verde common facilities to certain equity investors identified in its submissions of August 6 and November 26, 1986, and at the same time to lease back from such purchasers such interest sold in the Palo Verde, Unit 2 facility. The term of the lease is for approximately 29-½ years subject to a right of renewal. Additional sale and leaseback transactions of all or a portion of PNM's remaining ownership share of Palo Verde, Unit 2 are hereby authorized until June 30, 1987. Any such sale and leaseback transaction is subject to the representations and conditions set forth in the aforementioned application of February 14, 1986, and the subsequent submittals dated April 22, June 10, July 29, July 30, August 6, and August 7, October 16 and November 26, 1986, as well as the letters of the Director of the Office of Nuclear Reactor Regulation dated August 12 and December 11, 1986, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 2. For purposes of this condition the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 2 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.

(b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 2 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.

Amdt. # 6, DEC 11 1986

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

ARIZONA PUBLIC SERVICE COMPANY

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

EL PASO ELECTRIC COMPANY

SOUTHERN CALIFORNIA EDISON COMPANY

~~PUBLIC SERVICE COMPANY OF NEW MEXICO~~ MANZANO ENERGY CORPORATION

LOS ANGELES DEPARTMENT OF WATER AND POWER

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

DOCKET NO. STN 50-530

PALO VERDE NUCLEAR GENERATING STATION, UNIT 3

FACILITY OPERATING LICENSE

License No. NPF-74

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:

(now known as Manzano Energy Corporation)

A. The application for license filed by Arizona Public Service Company on behalf of itself and the Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority (licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;

B. Construction of the Palo Verde Nuclear Generating Station, Unit 3 (facility) has been substantially completed in conformity with Construction Permit No. CPPR-143 and the application, as amended, the provisions of the Act, and the regulations of the Commission;

C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D below);

D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D below);

E. Arizona Public Service Company* is technically qualified to engage in the activities authorized by this operating license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;

G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;

H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental and other costs, and after considering available alternatives, the issuance of this Facility Operating License No. NPF-74, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and

I. The receipt, possession, and use of source, byproduct, and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40, and 70.

2. Pursuant to approval by the Nuclear Regulatory Commission at a meeting held on November 25, 1987, the license for fuel loading and low power testing, License No. NPF-65, issued on March 25, 1987, is superseded by Facility Operating License No. NPF-74 hereby issued to the Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority (licensees) to read as follows: (now known as Manzano Energy Corporation)

A. This license applies to the Palo Verde Nuclear Generating Station, Unit 3, a pressurized water reactor and associated equipment (facility) owned by the licensees. The facility is located on the licensees' site in Maricopa County, Arizona and is described in the licensees' Final Safety Analysis Report, as supplemented and amended; in the related CESSAR Final Safety Analysis Report, as supplemented and amended through Amendment No. 8; and in their Environmental Report, as supplemented and amended.

(Manzano Energy Corporation)

*Arizona Public Service Company is authorized to act as agent for Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, ~~Public Service Company of New Mexico~~, Los Angeles Department of Water and Power, and Southern California Public Power Authority, and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

(1) Pursuant to Section 103 of the Act and 10 CFR Part 50, Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, ~~Public Service Company of New Mexico~~, Los Angeles Department of Water and Power, and Southern California Public Power Authority to possess, and Arizona Public Service Company (APS) to use and operate the facility at the designated location in Maricopa County, Arizona, in accordance with the procedures and limitations set forth in this license;

Manzano Energy Corporation

(2) Pursuant to the Act and 10 CFR Part 70, APS to receive, possess, and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the licensees' Final Safety Analysis Report, as supplemented and amended, and the CESSAR Final Safety Analysis Report, as supplemented and amended through Amendment No. 8;

(3) Pursuant to the Act and 10 CFR Parts 30, 40, and 70, APS to receive, possess, and use at any time any byproduct, source, and special nuclear material as sealed neutron sources for reactor startup, as sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

(4) Pursuant to the Act and 10 CFR Parts 30, 40, and 70, APS to receive, possess, and use in amounts required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and

(5) Pursuant to the Act and 10 CFR Parts 30, 40, and 70, APS to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below: