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June 16, 2000

BY HAND DELIVERY

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555

Re: Palo Verde Nuclear Generating Station, Units 1, 2 and 3 (Docket Nos. STN 50-528/529/530, Facility Operating License Nos. NPF-41, NPF-51, NPF-74)--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

Ladies and Gentlemen:

On March 3, 2000 Public Service Company of New Mexico ("PNM") submitted an application under Section 184 of the Atomic Energy Act as amended, 22 U.S.C. § 2234, and 10 C.F.R. § 50.80 ("Application") for NRC's 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") to a holding company (Manzano Corporation) created to implement the public utility restructuring requirements of the New Mexico Electric Utility Industry Restructuring Act of 1999, NMSA 1978, §§ 62-3A-1 through 23 (1999). As a result of the restructuring, the name of the holder of PNM's licenses will be changed to Manzano Energy Corporation ("Manzano Energy").

In its application, PNM noted that the proposed restructuring requires approval of other regulatory agencies in addition to consent from the NRC, and indicated that the NRC Project Manager for PVNGS would be kept informed of the progress made by the other regulatory agencies in granting their approvals. The purpose of this letter is to report on the status of the approval of the proposed restructuring by the other agencies involved.

The main three regulatory agencies, in addition to the NRC, whose approval is needed in order for the restructuring to be completed are the New Mexico Public Regulation Commission ("NMPRC"), the United States Securities and Exchange Commission ("SEC") and the Federal Energy Regulatory Commission ("FERC"). PNM applied for approval of its proposed restructuring with NMPRC in November 1999, and requested agency approval to accommodate a July 1, 2000 separation. Subsequent to filing the instant Application with the NRC, PNM made similar filings with FERC and the SEC.

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Recently, the NMPRC hearing examiner scheduled a hearing on the separation plan for August 21, 2000. In order to expedite the approval process, PNM has requested that the hearing be conducted by the entire Commission instead of the hearing examiner, and is hopeful that its request will be granted. The NMPRC has also taken action to delay open access for customer choice in New Mexico by one year to January 1, 2002 for residential, public post-secondary educational institutions and schools as well as small business customers and by six months to July 1, 2002 for remaining customers. In addition, the NMPRC extended the mandatory deadline for separation to August 1, 2001 from December 1, 2000. (This change is applicable to all New Mexico public utilities.) PNM is seeking a settlement of its entire transition plan and anticipates that, if settlement of its proposed separation can be reached, NMPRC approval of the separation may be granted by October 1, 2000. Therefore, PNM respectfully requests NRC action on PNM's Application by the same date, October 1, 2000. Based on currently available information, PNM expects that the other regulatory agencies will be able to act within the same time frame. We will, of course, continue to keep you apprised of the progress of the regulatory approvals by the NMPRC and other agencies and will advise you of any further changes to the overall schedule.

Another action required for the restructuring to be completed was approval by the PNM shareholders. At PNM's annual meeting of shareholders on June 6, 2000, the shareholders approved a proposed share exchange plan that implements the corporate restructuring. Additionally, Jeffry E. Sterba (former Executive Vice President of USEC, Inc.) has been named President and Chief Executive Officer. Benjamin F. Montoya remains as Chairman of the Board for both PNM and Manzano Corporation.

On May 31, 2000, PNM filed the last part of its transition plan with the NMPRC. The filing included its stranded cost calculation and request for stranded cost recovery (including nuclear decommissioning costs as a separate charge to be collected over the life of the plant). In connection with the filing of its transition plan, PNM re-analyzed the pro-forma financial projections that were submitted in support of the Application in light of the revised stranded cost calculations and the new open access dates. PNM determined that the revised results are not materially different from those submitted with the Application, and indeed show that Manzano Energy Corporation will have greater revenues and cash flow than those assumed in the Application if its transition plan is accepted by the NMPRC, and hence superior financial qualifications.

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If the NRC requires additional information concerning this Application, please contact the undersigned or Terry R. Horn, Vice President and Treasurer, (505) 241-2119.

Very truly yours,

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