

UNITED STATES OF AMERICANUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
EL PASO ELECTRIC COMPANY)	Docket Nos. STN 50-528, STN 50-529,
)	and STN 50-530
)	
(Palo Verde Nuclear Generating)	
Station, Units 1, 2, and 3)	
)	

ORDER APPROVING APPLICATION REGARDING PROPOSED CORPORATE
RESTRUCTURING AND APPROVING CONFORMING AMENDMENTS

I.

El Paso Electric Company (EPE) holds minority ownership interests (both owned and leased) in Palo Verde Nuclear Generating Station (Palo Verde), Units 1, 2, and 3, and in connection therewith is a holder of Facility Operating Licenses Nos. NPF-41, NPF-51, and NPF-74 for Palo Verde. The facility is located in Maricopa County, Arizona. Other co-licensees for Palo Verde are Arizona Public Service Company (APS) (owner or lessee of 29.1 percent share of each of the three units), Salt River Project Agricultural Improvement and Power District (owner of a 17.49 percent share), Public Service Company of New Mexico (owner of a 10.2 percent share), Southern California Edison Company (owner of a 15.8 percent share), Southern California Public Power Authority (owner of a 5.91 percent share), and Los Angeles Department of Water and Power (owner of a 5.7 percent share). By letter dated September 29, 2000, the Commission approved the indirect transfer of the Public Service Company of New Mexico licenses to a new holding company, and a change of its name to Manzano Energy Corporation. The name change will become effective at the time the restructuring of Public

Service Company of New Mexico is completed. APS is the licensed operator of the Palo Verde units. The remaining licensees hold possession-only licenses.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80, EPE filed an application dated July 6, 2000, as supplemented by letter dated July 7, 2000, from counsel for EPE, requesting approval of the indirect transfer of the Palo Verde licenses, to the extent held by EPE, to a new holding company, El Paso Electric Incorporated. El Paso Electric Incorporated 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 proposed restructuring involves the formation of El Paso Electric Incorporated, EPE becoming a direct subsidiary of El Paso Electric Incorporated, and a change in EPE's name to MiraSol Generating Company. By application dated October 3, 2000, APS requested approval, pursuant to 10 CFR 50.90, of proposed conforming amendments to reflect in the Palo Verde licenses the name change of EPE to MiraSol Generating Company that will occur in connection with the restructuring. APS will retain its existing ownership interest in, and remain the licensed operator of, Palo Verde, after the restructuring of EPE, and is not otherwise involved in the restructuring. Similarly, none of the other co-licensees are involved in the restructuring of EPE. No physical changes to the facility or operational changes are proposed in the applications filed by EPE and APS. Notice of the applications and an opportunity for hearing was published in the *Federal Register* on November 2, 2000 (65 FR 65885, as corrected at 65 FR 70637). No written comments or hearing requests were filed.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information provided by EPE in its application, the supplement thereto, and other information before the Commission, the NRC staff has determined that the proposed restructuring will not affect the qualifications of EPE to hold the licenses referenced above to the same extent now held by EPE, and that the indirect transfer of the licenses, to the extent effected by the restructuring, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth herein. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facility will operate in conformity with the application, the provisions of the Act and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied. These findings are supported by a safety evaluation dated December 4, 2000.

III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), 2201(o), and 2234; and 10 CFR 50.80, IT

IS HEREBY ORDERED that the application regarding the proposed restructuring of EPE and indirect license transfers is approved, subject to the following conditions:

1. MiraSol Generating Company shall continue to provide decommissioning funding assurance, to be held in its decommissioning trusts for Palo Verde Nuclear Generating Station, Units 1, 2, and 3, from the date of the indirect license transfers, as represented in the respective July 6, 2000, application. In addition, MiraSol Generating Company will ensure that its contractual arrangements with its transmission and distribution affiliate to obtain necessary decommissioning funds for Palo Verde through nonbypassable charges will be established and maintained until the decommissioning trust is fully funded.
2. MiraSol Generating Company shall enter into an agreement with its transmission and distribution affiliate that shall require the deposit of funds collected for decommissioning funding from wires charges into MiraSol Generating Company's decommissioning trust accounts. A copy of the agreement shall be forwarded to the NRC before the completion of the proposed restructuring of EPE.
3. MiraSol Generating Company shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance with the July 6, 2000, application, as supplemented, and the requirements of this Order approving the respective indirect transfers, and consistent with the safety evaluation supporting this Order.
4. MiraSol Generating Company shall inform the Director of the Office of Nuclear Reactor Regulation, within 30 days of approval by, respectively, the Texas Public Utilities Commission and the New Mexico Public Regulation Commission, of the nonbypassable charge mechanism of recovering decommissioning costs. Within such 30-day period, MiraSol Generating Company shall state the total decommissioning costs subject to nonbypassable charge recovery and the schedule for funding decommissioning costs.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments, as indicated in Enclosure 2 to the cover letter forwarding this Order, to reflect the subject restructuring action and conditions of this Order are approved. The amendments shall be issued and made effective at the time the proposed restructuring action is completed.

This Order is effective upon issuance.

For further details with respect to this action, see the application dated July 6, 2000, supplemental submittals dated July 7 and October 3, 2000, and the safety evaluation dated December 4, 2000, which are available for public inspection at the Commission's Public Document Room located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland, and accessible electronically through the ADAMS Public Electronic Reading Room link on the NRC Web site (<http://www.nrc.gov>).

Dated at Rockville, Maryland, this 4th day of December 2000.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

Roy P. Zimmerman, Acting Director
Office of Nuclear Reactor Regulation

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments, as indicated in Enclosure 2 to the cover letter forwarding this Order, to reflect the subject restructuring action and conditions of this Order are approved. The amendments shall be issued and made effective at the time the proposed restructuring action is completed.

This Order is effective upon issuance.

For further details with respect to this action, see the application dated July 6, 2000, supplemental submittals dated July 7 and October 3, 2000, and the safety evaluation dated December 4, 2000, which are available for public inspection at the Commission's Public Document Room located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland, and accessible electronically through the ADAMS Public Electronic Reading Room link on the NRC Web site (<http://www.nrc.gov>).

Dated at Rockville, Maryland, this 4th day of December 2000.

FOR THE NUCLEAR REGULATORY COMMISSION
/RA/

Roy P. Zimmerman, Acting Director
Office of Nuclear Reactor Regulation

ADAMS ACCESSION NO: ML003774581

*See previous concurrence

OFFICE	PDIV-2/PM	PDIV-D/LA	*TechEditor	OGC	PDIV-2/SC	PDIV-2/PD
NAME	JDonohew:lcc	CJamerson	PKleene*	GKim*	SDembek*	SRichards*
DATE	11/30/00	11/28/00	11/08/00	11/30/00	11/27/00	11/28/00

OFFICE	*RGEBC/BC	IOLB/BC	DLPM/D	ADPT/AD	NRR/D
NAME	BZalcman for CACarpenter	DTrimble*	JZwolinski*	JZwolinski for: BSheron	RZimmerman for: SCollins
DATE	11/24/00	09/19/00	11/28/00	12/1/00	12/1/00

OFFICIAL RECORD COPY