

June 2, 1986

Docket No.: 50-528

Mr. E. E. Van Brunt, Jr.
Executive Vice President
Arizona Nuclear Power Project
Post Office box 52034
Phoenix, Arizona 85072-2034

Dear Mr. Van Brunt:

Subject: Issuance of Amendment No. 6 to Facility Operating License NPF-41
for Palo Verde Unit 1

The Commission has issued the enclosed Amendment No. 6 to Facility Operating License No. NPF-41 for the Palo Verde Nuclear Generating Station, Unit 1. This amendment authorizes additional sale and leaseback transactions of Public Service Company of New Mexico's ownership share in Palo Verde Unit 1 until August 31, 1986. This amendment is in response to your application dated February 6, 1986.

A copy of the Safety Evaluation supporting the amendment is also enclosed.

Sincerely,

George W. Knighton, Director
PWR Project Directorate No. 7
Division of PWR Licensing-B

Enclosures:

1. Amendment No. 6 to NPF-41
2. Safety Evaluation

cc: See next page

*Previous concurred on by:

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Mr. E. E. Van Brunt, Jr.
Arizona Nuclear Power Project

Palo Verde

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

ARIZONA PUBLIC SERVICE COMPANY, ET AL.

DOCKET NO. STN 50-528

PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 6
License No. NPF-41

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The present amendment, issued in response to the February 5, 1986 application by the Arizona Public Service Company (APS) with respect to a sale and leaseback financing transaction by licensee, Public Service Company of New Mexico, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act) and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. Previously, the Commission by an Order on December 12, 1985 had stated:

On October 18, 1985 the Arizona Public Service Company filed with the NRC an Application In Respect Of A Sale And Leaseback Financing Transaction By Public Service Company Of New Mexico. The Commission has determined that in the totality of the circumstances presented to it, this proposed financial transaction with the license amendment recommended by the staff and subject to the conditions specified in this order are acceptable under the Atomic Energy Act and the Commission regulations. This conclusion is subject to the condition that the lessor and anyone else who may acquire an interest under the transaction which is the subject of this application are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde nuclear facility. 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 named lessor and any successor in interest to that lessor as long as the license for the Palo Verde nuclear facility remains in effect. Accordingly, this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.

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Subject to the foregoing, the Commission consents to the financial transaction as set forth in the application and authorizes the Director of the Office of Nuclear Reactor Regulation to amend the license as described in SECY-85-367 and this order.

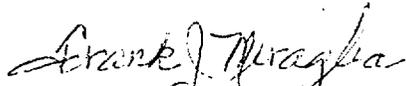
- C. The Commission, by Order of December 12, 1985, approved the sale and leaseback of Public Service Company of New Mexico's undivided interest in Palo Verde Unit 1. The license amendment issued pursuant to that Commission Order and the licensee's application provided that the transfer was to be made by December 31, 1985. Not all of Public Service Company of New Mexico's undivided interest in Palo Verde Unit 1 was transferred by that date. By application of February 5, 1986, APS sought an extension of the time until August 31, 1986, in which the Public Service Company of New Mexico may sell the remaining portion of its interest in Palo Verde Unit 1 under sale and leaseback transactions. The present amendment authorizes such sale and leaseback transactions until August 31, 1986.
 - D. The facility will operate in conformity with the above application and the Commission's Order of December 12, 1985, the provisions of Act, and the rules and regulations of the Commission;
 - E. There is reasonable assurance (i) that the activities authorized by this amendment 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;
 - F. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public;
 - G. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, Paragraph, 2.B(6) is amended to read as follows:
- (6) 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 and PNM has transferred 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 sales 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 August 31, 1986. Any such sale and leaseback transaction is subject

to the representations and conditions set forth in the above applications of October 19, 1985 and February 5, 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.

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 insurance for the Palo Verde nuclear facility, Unit 1 and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.

3. This license amendment is effective as of the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION



Frank J. Miraglia, Director
Division of PWR Licensing-B

Date of Issuance: June 2, 1986



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO AMENDMENT NO. 6 TO FACILITY OPERATING LICENSE NO. NPF-41
ARIZONA PUBLIC SERVICE COMPANY, ET AL.
PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 1
DOCKET NO. STN 50-528

1.0 INTRODUCTION

By application dated February 5, 1986, the Arizona Public Service Company (APS) on behalf of Public Service Company of New Mexico (PNM), requested approval for PNM to sell and leaseback all or part of the remaining portion of PNM's 10.2 percent ownership interest in the Palo Verde Nuclear Generating Station, Unit 1, and a proportionate share of one-third of PNM's 10.2 percent ownership interest in the Palo Verde common facilities. In addition to information provided in the application, the licensee had previously provided financial information by letter dated November 21, 1985.

2.0 COMMISSION ACTION

On December 12, 1985, the Nuclear Regulatory Commission, upon review of the staff's Policy Papers SECY-85-350 and SECY 85-367 which contained a discussion of the proposed transaction, issued an Order ^{1/} consenting to the sale and leaseback transaction. To provide for health and safety concerns, it required that:

- (1) The lessor and anyone else who may acquire an interest under the proposed transaction be prohibited from exercising directly or indirectly any control over the licensees of Palo Verde Unit 1. For purpose 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 named lessor and any successor in interest to that lessor as long as the license for the Palo Verde Unit 1 remains in effect. Accordingly, this financial transaction shall have no effect on the license for Palo Verde Unit 1 throughout the term of the license.

^{1/} Arizona Public Service Company (Palo Verde Unit 1), Docket No. STN 50-528
December 12, 1985.

- (2) The Palo Verde Unit 1 operating license be amended to expressly require that the NRC be notified in writing prior to any change in: (i) the executed lease agreements; (ii) the ANPP Participation Agreement; (iii) the existing insurance policies; and (iv) any action by the lessor or others which may have an adverse effect on the safe operation of the facility.
- (3) The Palo Verde Unit 1 license be amended to reflect PNM's position as a lessee of the facility.

The Commission's Order authorized the sale and leaseback of PNM's interest in the Palo Verde Unit 1 facility. A portion of PNM's interest was not sold within the time period originally requested by PNM. The present license amendment authorizes the sale and leaseback of PNM's remaining interest in PVNGS Unit 1 which was not effected prior to December 31, 1985.

3.0 CONTACT WITH STATE OFFICIAL

The Arizona Radiation Regulatory Agency has been advised of the proposed determination of no significant hazards consideration with regard to this amendment. No comments were received.

4.0 ENVIRONMENTAL CONSIDERATIONS

This amendment only involves the administration of the credit and financial arrangements for Palo Verde Unit 1. The parties will enter into agreements which provide for the sale and leaseback of PNM's ownership share under terms requiring PNM's continued full control and responsibility over this ownership share. The Commission has ordered (footnote 1, supra) that in the administration of this arrangement, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising, directly or indirectly, any control of the Palo Verde Unit 1 license. The amendment also includes a reporting requirement that the NRC must be notified in writing prior to any change in the executed lease agreements, the ANPP participation agreement, and the existing insurance policies. Accordingly, this amendment meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22 (c)(10).

5.0 CONCLUSION

The staff has concluded, based on the considerations discussed above, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public. We, therefore, conclude that the request is acceptable.

Dated: June 2, 1986

ISSUANCE OF AMENDMENT NO. 6 TO FACILITY OPERATING
LICENSE NPF-41 FOR PALO VERDE UNIT 1

DISTRIBUTION

Docket File 50-528

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