



10 C.F.R. § 50.81

August 1, 2007

U.S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, DC 20555

U.S. Nuclear Regulatory Commission  
Office of the General Counsel  
Attention : Karen D. Cyr, Esq.  
Washington DC 20555

Sale and Leaseback Transaction by  
Public Service Company of New Mexico  
NRC Docket No. STN 50-529

Ladies and Gentlemen:

The purpose of this letter is to notify the Nuclear Regulatory Commission (the "Commission"), as a matter of courtesy, of the transfer of an equity interest in a sale and leaseback transaction that was the subject of a license amendment in the above docket.

**Background.** In 1986, Public Service Company of New Mexico ("PNM") proposed to enter into sale and leaseback transactions relating to Palo Verde Nuclear Generating Station ("PVNGS") Unit 2. By letter dated August 12, 1986, the Commission issued Amendment No. 2 to Facility Operating License NPF-51 (Palo Verde Unit 2), approving the transactions, subject to 10 C.F.R. § 50.81 and the conditions in the Amendment ("Amendment No. 2"). A copy of the August 12, 1986 Commission action is enclosed herewith as Enclosure 1 for convenient reference. Amendment No. 2 was issued in response to a February 14, 1986 application submitted to the Commission, as supplemented on April 22, June 10, July 29, July 30, August 6, and August 7, 1986. The August 12, 1986 approval was similar to the previous approval by the Commission in its Order of December 12, 1985, with regard to sale and leaseback transactions proposed by PNM for PVNGS Unit 1. Pursuant to these and other authorizations, PNM entered into a total of 11 sale and leaseback transactions in 1985 and 1986 relating to both PVNGS Units 1 and 2.

**Subject of This Notice.** The "equity investor" in one of PNM's original PVNGS Unit 2 transactions was First Chicago Lease Holdings, Inc. ("FCLH"). FCHL subsequently transferred its interest as an equity investor to Palo Verde Leasing Corporation, a Delaware corporation ("PVLC"). On June 29, 2007, PVLC and PNMR Development and Management Corporation ("PNMR Development") entered into a Sale Agreement, pursuant to which PNMR Development agreed to purchase PVLC's equity interest in the sale and leaseback

M006  
Add: Karen Cyr  
NRR

August 1, 2007

Page 2

transaction. Also, on June 29, 2007, in accordance with the Sale Agreement, PVLC transferred its equity interest in the sale and leaseback transaction to PNMR Development. The transfer was made in a manner which is specifically permitted under the lease transactions as approved by the Commission. Amendment No. 2 included several notice requirements, but the transfer of an equity interest in the sale and leaseback transaction, which does not affect the Commission license, is not one of the required notices. However, as a matter of courtesy, PNM is providing this notice to the Commission.

PNMR Development is a wholly owned subsidiary of PNM Resources; PNM is a subsidiary of PNM Resources and an affiliate of PNMR Development. The current "owner trustee" for the sale and leaseback transaction, U.S. Bank National Association, remains unchanged, and the terms of the lease remain unchanged.

A copy of the transfer document (the "Assignment and Assumption Agreement" dated June 29, 2007) is enclosed herewith as Enclosure 2 for filing with the Commission.

If you have any questions, please do not hesitate to call the undersigned at (505) 241-4935.

Sincerely,



Charles L. Moore  
Associate General Counsel  
PNM Resources, Inc.

Enclosures

cc: Director of Nuclear Regulation  
Attention: Susan L. Uttal, Esq.  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

U.S. Nuclear Regulatory Commission  
NRC Project Manager for Palo Verde Nuclear Generating Station  
Attention: Mike Markley  
Washington, D.C. 20555

Arizona Public Service Company  
Attention: Nancy Loftin, Esq.  
Michael Green, Esq.

**ENCLOSURE 1**



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

August 12, 1986

Docket No.: 50-529

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. 2 to Facility Operating License NPF-51  
for Palo Verde Unit 2

On February 14, 1986, the Arizona Public Service Company filed with the Nuclear Regulatory Commission an Application in Respect of Sale and Leaseback Transactions on behalf of Public Service Company of New Mexico (PNM) (the "application"). This application was supplemented by subsequent submissions dated April 22, June 10, July 29, July 30, August 6, and August 7, 1986. On the totality of the circumstances presented, the Commission finds that the proposed financial transaction, subject to the conditions set forth below and specified in the enclosed license amendment, is acceptable under the Atomic Energy Act and the Commission regulations.

This approval 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 C.F.R. 50.81 "Creditor Regulations," as now in effect and as these 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 Palo Verde Nuclear Generating Station, Unit 2, remains in effect. This financial transaction shall have no effect on the license for the Palo Verde Nuclear Generating Station, Unit 2.

This transaction is similar to that approved by the Commission in its Order of December 12, 1985, with regard to the sale and leaseback of PNM's interest in Palo Verde Unit 1. Subject to the foregoing, the Commission hereby approves the application under the conditions set forth in the enclosed Amendment No. 2 to the Palo Verde Unit 2 license.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "H. R. Denton". The signature is fluid and cursive, with a large initial "H" and "D".

Harold R. Denton, Director  
Office of Nuclear Reactor Regulation

Enclosures:

1. Amendment No. 2 to NPF-51
2. Safety Evaluation

cc: See next page

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

Palo Verde

cc:

Arthur C. Gehr, Esq.  
Snell & Wilmer  
3100 Valley Center  
Phoenix, Arizona 85073

Kenneth Berlin, Esq.  
Winston & Strawn  
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Mr. James M. Flenner, Chief Counsel  
Arizona Corporation Commission  
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Phoenix, Arizona 85007

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Government Accountability Project  
of the Institute for Policy Studies  
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Council  
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Tempe, Arizona 85238

Mr. Mark Ginsberg  
Energy Director  
Office of Economic Planning  
and Development  
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Washington Nuclear Operations  
Combustion Engineering, Inc.  
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Mr. Wayne Shirley  
Assistant Attorney General  
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Mr. Ron Rayner  
P. O. Box 1509  
Goodyear, AZ 85338

Mr. Roy Zimmerman  
U.S. Nuclear Regulatory Commission  
P. O. Box 239  
Arlington, Arizona 85322

Ms. Patricia Lee Hourihan  
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Phoenix, Arizona 85040

Regional Administrator, Region V  
U. S. Nuclear Regulatory Commission  
1450 Maria Lane  
Suite 210  
Walnut Creek, California 94596

Chairman  
Arizona Corporation Commission  
P. O. Box 6019  
Phoenix, Arizona 85003

Arizona Radiation Regulatory Agency  
ATTN: Ms. Clara Palovic, Librarian  
925 South 52nd Street  
Tempe, Arizona 85238

Mr. Charles Tedford, Director  
Arizona Radiation Regulatory Agency  
924 South 52nd Street, Suite 2  
Tempe, Arizona 85281

Chairman  
Maricopa County Board of Supervisors  
111 South Third Avenue  
Phoenix, Arizona 85003



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

ARIZONA PUBLIC SERVICE COMPANY, ET AL.\*

DOCKET NO. STN 50-529

PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 2  
License No. NPF-51

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The present amendment, issued in response to the February 14, 1986 application (and supplemental letters dated April 22, June 10, July 29, July 30, August 6, and August 7, 1986) by the Arizona Public Service Company 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 regulations set forth in 10 CFR Chapter I;
  - B. In approving the aforementioned application, the Director of the Office of Nuclear Reactor Regulation by letter of August 12, 1986, stated:

This approval 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 C.F.R. 50.81 "Creditor Regulations," as now in effect and as these 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 Palo Verde Nuclear Generating Station, Unit 2, remains in effect. This financial transaction shall have no effect on the license for the Palo Verde Nuclear Generating Station, Unit 2.

\*The other licensees are 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.

This transaction is similar to that approved by the Commission in its Order of December 12, 1985, with regard to the sale and leaseback of PNM's interest in Palo Verde Unit 1. Subject to the foregoing, the Commission hereby approves the application under the conditions set forth in the enclosed Amendment No. 2 to the Palo Verde Unit 2 license.

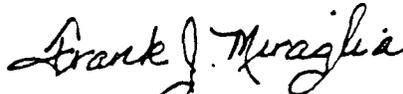
- C. The facility will operate in conformity with the above application and the Director of the Office of Nuclear Reactor Regulations letter of August 12, 1985, the provisions of the Act, and the regulations of the Commission;
  - D. There is reasonable assurance (i) that the activities authorized by 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;
  - E. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public;
  - F. 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.
  - G. The present amendment authorizes any such sale and leaseback transactions made pursuant thereto until September 30, 1986.
2. Accordingly, a new Paragraph, 2.B(6) is added to read as follows:
- (6)(a) The 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 submission of August 6, 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- $\frac{1}{2}$  years subject to a right of renewal. 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, 1986, as well as the letter of the Director of the Office of Nuclear Reactor Regulation dated August 12, 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,

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.

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: August 12, 1986



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION  
RELATED TO AMENDMENT NO. 2 TO FACILITY OPERATING LICENSE NO. NPF-51  
ARIZONA PUBLIC SERVICE COMPANY, ET AL.  
PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 2  
DOCKET NO. STN 50-529

1.0 INTRODUCTION

By application dated February 14, 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 2, 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 licensees provided financial and other information by letters dated April 22, June 10, July 29, July 30, August 6, and August 7, 1986.

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 this type of proposed transaction, issued an Order <sup>1/</sup> consenting to a sale and leaseback transaction for Palo Verde Unit 1. 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.

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<sup>1/</sup> 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 the licensee'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. The present application for license amendment seeks authorization for a similar sale and leaseback of PNM's interest in Palo Verde Unit 2. By letter of August 12, 1986, the Director of the Office of Nuclear Reactor Regulation has authorized such amendment.

### 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 2. 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 lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising, directly or indirectly, any control of the 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: August 12, 1986



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20545  
August 18, 1986

Docket No.: STN 80-629

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: Errata for Amendment No. 2 to Facility Operating License No. NPF-51  
Palo Verde Nuclear Generating Station, Unit 2

On August 12, 1986, the above amendment was issued. Page 3 of the amendment is hereby reissued to correct an error and to include a line inadvertently omitted at the end of the page. Vertical lines in the margin indicate the area of the change.

Sincerely,

A handwritten signature in cursive script that reads "E. A. Licitra".

E. A. Licitra, Senior Project Manager  
PWR Project Directorate No. 7  
Division of PWR Licensing-8

Enclosure:  
Page 2 of Amendment 2  
to NPF-51

cc: See next page

Reissued  
8/18/86

- 2 -

This transaction is similar to that approved by the Commission in its Order of December 12, 1985, with regard to the sale and leaseback of PNM's interest in Palo Verde Unit 1. Subject to the foregoing, the Commission hereby approves the application under the conditions set forth in the enclosed Amendment No. 2 to the Palo Verde Unit 2 license.

- C. The facility will operate in conformity with the above application and the Director of the Office of Nuclear Reactor Regulations letter of August 12, 1985, the provisions of the Act, and the regulations of the Commission;
  - D. 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;
  - E. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public;
  - F. 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.
  - G. The present amendment authorizes any such sale and leaseback transactions made pursuant thereto until September 30, 1986.
2. Accordingly, a new Paragraph, 2.B(6) is added to read as follows:
- (6)(a) The 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 submission of August 6, 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 29-1/2 years subject to a right of renewal. 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, 1986, as well as the letter of the Director of the Office of Nuclear Reactor Regulation dated August 12, 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

**ENCLOSURE 2**

## ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated June 29, 2007, is made between PALO VERDE LEASING CORPORATION, a Delaware corporation ("Seller"), and PNMR DEVELOPMENT AND MANAGEMENT CORPORATION, a New Mexico corporation ("Purchaser").

### RECITALS

A. Pursuant to the Bill of Sale and Assignment dated as of January 30, 1987 from First Chicago Lease Holdings, Inc. ("FCLH") to Seller, and the Instrument of Assumption dated as of January 30, 1987 by Seller (copies of which are attached hereto for ease of reference), Seller was substituted for FCLH as "Owner Participant" in respect of the Transaction Documents (such term and the other capitalized terms used herein without definition having the respective meanings specified in Appendix A to that certain Participation Agreement dated as of August 12, 1986 (the "Participation Agreement") to which Seller (as assignee of FCLH) and Public Service Company of New Mexico, among others, are party).

B. Seller has agreed to sell, assign and transfer, and Purchaser has agreed to purchase, assume and accept the Transferred Interests.

ACCORDINGLY, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. The following capitalized terms used in this Agreement shall have the meanings set forth below. Such definitions shall be equally applicable to both the singular and plural forms of the terms defined.

"Agreement" shall mean this Assignment and Assumption Agreement.

"Assignment" shall mean the assignment of the Transferred Interests pursuant to Section 2 hereof.

"Beneficial Interest" shall mean 100% of the beneficial interest in the Trust Estate.

"Effective Date" shall mean the date hereof.

"Seller-Retained Rights" shall mean all accrued benefits and rights of Seller with respect to the Beneficial Interest or pursuant to any of the Transaction Documents in respect of the period prior to the Closing Date, including, without limitation, (a) all rights to indemnification and cost reimbursement in respect of Taxes and other matters with respect to such period, including, without limitation, under the Tax Indemnification Agreement and Section 13 of the Participation Agreement; (b) all rights to any amount payable under the Transaction Documents or with respect to the Transferred Interests that accrue or become due and payable prior to the Closing Date, without regard to when the payment is actually made; and (c) all rights and claims

in respect of obligations of other parties to the Transaction Documents due and owing prior to the Closing Date.

**“Subject Property”** shall mean all property comprising the Trust Estate.

**“Transaction”** shall mean the transactions described in the Transaction Documents.

**“Transferred Interests”** shall have the meaning given such term in Section 2 hereof.

2. **Assignment.** Effective on and as of the Effective Date, Seller hereby GRANTS, BARGAINS, ASSIGNS, TRANSFERS, SELLS, DELIVERS AND CONVEYS UNTO PURCHASER, ITS SUCCESSORS AND ASSIGNS, TO HAVE AND TO HOLD FOREVER, all of Seller’s right, title, interest and obligations in, to and under the Beneficial Interest and the Transaction Documents (including, without limitation, Seller’s obligations under the Transaction Documents, subject to any debt outstanding on the Effective Date under the Notes relating to the Beneficial Interest, excluding the Seller-Retained Rights (collectively, the “Transferred Interests”).

3. **Acceptance and Assumption.** Effective on and as of the Effective Date, Purchaser hereby (i) accepts the Assignment, and (ii) assumes and agrees to pay and perform all of the obligations contained in or relating to the Transferred Interests (including, without limitation, to pay any indebtedness accruing or becoming due and payable from and after the Effective Date relating to the Transferred Interests as described in the Transaction Documents), and (iii) unconditionally and irrevocably agrees to be bound by all the terms of, and undertake all of the obligations of Seller, if any, contained in, the Transaction Documents to which Seller was a party, and all references to Seller, or beneficial owner or Owner Participant as related to Seller, in the Transaction Documents shall be deemed to be references to Purchaser.

4. **Transferee Requirements.** Purchaser hereby represents and warrants as of the date hereof that it meets (i) all requirements under the Transaction Documents applicable to a permitted or qualified Transferee (as such term is defined in Section 15 of the Participation Agreement) of all or any of the Transferred Interests, and (ii) all requirements under the Trust Agreement to relieve Seller of any liability for Purchaser’s obligations thereunder from and after the Closing Date. Specifically, but without limiting any other requirement under the Transaction Documents, Purchaser has a net worth of not less than \$25,000,000, as determined in accordance with generally accepted accounting principles.

5. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns, subject to any limitations set forth in the Transaction Documents.

6. **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the conflict of laws provisions thereof.

7. **Counterparts.** This Agreement may be executed in separate counterparts, each of which when so executed and delivered shall be an original for all purposes, but all such counterparts shall constitute but one and the same instrument.

8. Headings. The section headings contained herein are for convenience only and shall not be construed as part of this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed on, and with effect from, the day and year first above written.

SELLER:

PALO VERDE LEASING  
CORPORATION

By: Robert S. Sheppard  
Name: ROBERT S. SHEPPARD  
Title: VICE PRESIDENT

PURCHASER:

PNMR DEVELOPMENT AND  
MANAGEMENT CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed on, and with effect from, the day and year first above written.

SELLER:

PALO VERDE LEASING  
CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PURCHASER:

PNMR DEVELOPMENT AND  
MANAGEMENT CORPORATION

By: Wendy A. Carlson  
Name: Wendy A. Carlson  
Title: Vice President and Treasurer

CHARLES L. MOORE  
PNM RESOURCES INC  
ALVARADO SQUARE MS-1200  
ALBUQUERQUE NM 87158

PRESORTED  
FIRST CLASS



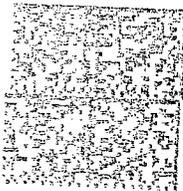
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