

Alvarado Square
Albuquerque, NM 87158
PNMResources.com

December 31, 2009



Certified Mail – Return Receipt Requested
U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555

Sale and Leaseback Transaction by
Public Service Company of New Mexico
NRC Docket Nos. STN 50-528 and STN 50-529
Palo Verde Nuclear Generating Station, Units 1 & 2

Ladies and Gentlemen:

The purpose of this letter is to provide prior written notification to the Nuclear Regulatory Commission (the "Commission") of the proposed transfer of an equity interest in a sale and leaseback transaction that was the subject of a license amendment in the above docket. This is the same transaction of which we informally advised Commission Staff by e-mail of December 22, 2009. The proposed transfer of the equity interest would be from MFS Leasing Corp. ("MFS") to Cypress PV Partnership ("Cypress"), neither of which is affiliated with Public Service Company of New Mexico ("PNM"). Upon the transfer, Cypress will own equity interests, through existing owner trusts, of a portion of the interests in the Palo Verde Nuclear Generating Station ("PVNGS") Units 1 and 2, which were the subject of sale and leaseback transactions in 1985 and 1986, respectively, that were approved by the Commission.

Background. In 1985 and 1986, PNM proposed to enter into sale and leaseback transactions relating to PVNGS Unit 1 and Unit 2, respectively. By letter dated December 26, 1985, the Commission issued Amendment No. 3 to Facility Operating License NPF-41 (Palo Verde Unit 1), approving the Unit 1 sale and leaseback transactions, subject to 10 C.F.R. § 50.81 and the conditions set forth in such Amendment. By letter dated August 12, 1986, the Commission issued Amendment No. 2 to Facility Operating License NPF-51 (Palo Verde Unit 2), approving the Unit 2 sale and leaseback transactions, subject to 10 C.F.R. § 50.81 and the conditions set forth in such Amendment. Currently, MFS holds (through the existing owner trust structures) (i) a 1.36 percent undivided ownership interest in Unit 1, (ii) a 1.36 percent undivided ownership interest in Unit 2, and (iii) a separate 1.13 percent undivided ownership interest in Unit 2 (which interest (iii) is not the subject of this notice).

Subject of this Notice. MFS's 1.36 percent undivided ownership interests in each of Unit 1 and Unit 2 are the subject of this notice (the "Subject Interests"). With respect to another (unrelated) equity interest transfer in 2007, Mike Markley of the Commission Staff advised PNM by letter dated October 18, 2007 (TAC NOS. MD6791) that prior written notice to the Commission is required for the transfer of an equity interest in a PVNGS sale and leaseback transaction from one party to another, even if the terms of the sale and leaseback remain unchanged. Notably, this is a prior written notice requirement and not a Commission approval requirement.

A 001
LRR

December 31, 2009

Page 2

MFS and Cypress have notified PNM that MFS proposes to transfer the Subject Interests to Cypress and, in connection therewith, Cypress will execute an assignment and assumption agreement for each Subject Interest, pursuant to which Cypress will assume the rights and obligations of MFS under the existing applicable PVNGS sale and leaseback transaction documents.

MFS and Cypress have further notified PNM that they plan to close the proposed transfer on or after February 1, 2010, and they have therefore requested that PNM provide this advance written notice to the Commission with respect to the transfer. The proposed transfer will be made in a manner that is specifically permitted under the sale and leaseback transactions as they were originally approved by the Commission (*i.e.*, the transferee meets the net worth requirement of \$25,000,000 and has provided the requisite notices and form of assignment and assumption agreements to the relevant parties to the sale and leaseback transactions). The current "owner trustee" for the sale and leaseback transactions, U.S. Bank National Association, will remain unchanged, and the terms of both leases will remain unchanged.

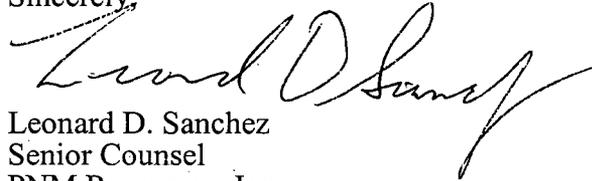
We have attached for your reference the following materials relating to Cypress, as forwarded to us by counsel to Cypress:

- Balance sheet dated as of December 22, 2009 (attached as "Exhibit A")
- Summary about Cypress and its ownership structure and management (attached as "Exhibit B")

In addition, should you find it useful to reference, Cypress also forwarded to us their company internet address, which they have indicated has additional information regarding the company and its businesses. The website can be found at: <http://www.cypressleasing.com>

If you have any questions, please do not hesitate to contact Charles Moore at (505) 241-4935 or the undersigned at (505) 241-4941. Again, as noted above, MFS and Cypress plan to close the transaction on or after February 1, 2010.

Sincerely,



Leonard D. Sanchez
Senior Counsel
PNM Resources, Inc.

cc: Certified Mail – Return Receipt Requested
Office of Nuclear Reactor Regulation
Division of Operating Reactor Licensing
Plant Licensing Branch IV
Attention: John R. Hall, Senior Project Manager
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Arizona Public Service Company
Attention: David Falck, Esq.
Michael Green, Esq.

9:29 AM
12/23/09

**Cypress PV Partnership
Balance Sheet
As of December 22, 2009**

	<u>Dec 22, 09</u>
ASSETS	
Current Assets	
Checking/Savings	
Cash and cash equivalents	
CNB Ops 1492	50,840,000.00
Total Cash and cash equivalents	<u>50,840,000.00</u>
Total Checking/Savings	<u>50,840,000.00</u>
Total Current Assets	<u>50,840,000.00</u>
TOTAL ASSETS	<u><u>50,840,000.00</u></u>
LIABILITIES & EQUITY	
Equity	
Contributions	
Contributions; Cypress PV-A	26,436,800.00
Contributions; Cypress PV-B	24,403,200.00
Total Contributions	<u>50,840,000.00</u>
Total Equity	<u>50,840,000.00</u>
TOTAL LIABILITIES & EQUITY	<u><u>50,840,000.00</u></u>

EXHIBIT B

About the Purchaser – Cypress PV Partnership

The Purchaser of the owner participation interests will be Cypress PV Partnership, a California general partnership. The purchaser has two general partners, Cypress PV-A, LLC and Cypress PV-B, LLC, each a California limited liability company managed by Cypress Equipment Management Corporation V, a California corporation. The members of Cypress PV-A, LLC and Cypress PV-B, LLC are various Cypress Funds, which are themselves California limited liability companies. The membership of each of Cypress PV-A, LLC and Cypress PV-B, LLC is listed below, together with each member's capital contribution and the name of each member's manager:

Members of Cypress PV-A, LLC		
Member Name	Capital Contribution	Manager of Member
Cypress Equipment Fund 14, LLC	\$1,057,680.00	Cypress Equipment Management Corporation IV
Cypress Equipment Fund 15, LLC	\$10,047,960.00	Cypress Equipment Management Corporation IV
Cypress Equipment Fund 16, LLC	\$9,254,700.00	Cypress Equipment Management Corporation IV
Cypress Equipment Fund 17, LLC	\$6,081,660.00	Cypress Equipment Management Corporation V
Total Capital Contributions	\$26,442,000.00	

Members of Cypress PV-B, LLC		
Member Name	Capital Contribution	Manager of Member
Cypress Income Fund IV, LLC	\$976,320.00	Cypress Equipment Management Corporation III
Cypress Income Fund VI, LLC	\$488,160.00	Cypress Equipment Management Corporation IV
Cypress Income Fund VII, LLC	\$7,078,320.00	Cypress Equipment Management Corporation IV
Cypress Income Fund 8, LLC	\$7,664,112.00	Cypress Equipment Management Corporation V
Cypress Income Fund 9, LLC	\$7,810,560.00	Cypress Equipment Management Corporation V
Cypress Participation Fund, LLC	\$390,528.00	Cypress Equipment Management Corporation IV
Total Capital Contributions	\$24,408,000.00	

Each of the Cypress Funds is made up of fewer than 500 individual investors. Non-US ownership interests in any of the Cypress Funds are *de minimus*. All of the Cypress Funds are managed by affiliates of Cypress Financial Corporation and the manager of each Fund has sole and absolute authority with respect to the investment and other decisions made by each Fund, subject only to certain limitations spelled out in the Private Placement Memorandum for each Fund. Investors in Cypress Funds have no participation in the management of the Funds.

Ultimate management authority for Cypress Financial Corporation and each of the managers of the Cypress Funds rests with Mr. Stephen R. Harwood, the controlling direct or indirect shareholder and the President of each of those corporations. Mr. Harwood received a bachelor's

degree from Princeton University in 1966 and an MBA from University of Chicago in 1968. From 1968 to 1973, he was employed by Exxon Corporation. He began his equipment leasing career with ITEL Leasing Corporation in 1973. In 1978, he became president of CIS Equipment Leasing Corporation, which grew to be a major lessor of computer and capital equipment. Mr. Harwood founded the Cypress Companies in 1985. Cypress specializes in purchasing secondary market equipment leasing transactions from institutional lessors. Acquisitions are made on behalf of Cypress managed investment programs and for Cypress' own account.