

Alvarado Square  
Albuquerque, NM 87158  
PNMResources.com



November 17, 2010

Certified Mail – Return Receipt Requested  
U.S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, DC 20555-0001

Sale and Leaseback Transaction by  
Public Service Company of New Mexico  
NRC Docket No. STN 50-528  
Palo Verde Nuclear Generating Station, Unit 1

Ladies and Gentlemen:

By letter dated August 25, 2010 (the "Original Notice"), Public Service Company of New Mexico ("PNM") provided 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. A copy of that letter is attached as Attachment 1 for convenient reference.

In subsequent supplemental e-mail correspondence to Randy Hall, PNM indicated that the proposed transfer of the equity interest would be from Cypress P.V. Partnership ("Cypress") to Citicorp Buffalo Basin, Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Citicorp, Inc.

PNM's Original Notice explained that the license requirement with which we are complying simply requires prior notice in writing to the Commission and that we were only seeking acknowledgment of receipt of the Original Notice and an indication of "no objection" from the Commission. In subsequent e-mail correspondence, PNM has indicated that it was withdrawing the request for any "no objection" response from the Commission, and this letter will formalize that change in the request.

This clarifying letter is in response to the e-mail of November 17, 2010 from Mr. Hall indicating that he thought the license condition regarding prior notice was satisfied by PNM's Original Notice but recommending that a clarifying letter along these lines be submitted.

We would very much appreciate a prompt acknowledgement of receipt of this clarifying letter, in whatever form you deem appropriate, so that the parties may proceed to close the proposed transaction.

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

Sincerely,

*Charles L. Moore*

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

Attachment 1: Original Notice

A 001  
NRR

November 17, 2010

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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  
and Lauren Gibson, Project Manager  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

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

PNM  
Alvarado Square  
Albuquerque, NM 87158 -1200  
505-241-4935  
Fax 505-241-2338



August 25, 2010

Certified Mail – Return Receipt Requested

U.S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, DC 20555-0001

Sale and Leaseback Transaction by  
Public Service Company of New Mexico  
NRC Docket No. STN 50-528  
Palo Verde Nuclear Generating Station, Unit 1

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 was the subject of a voicemail I left for Randy Hall on August 25, 2010.

The proposed transfer of the equity interest would be from Cypress PV Partnership ("Cypress") to either (i) Citibank, N.A. ("Citibank"), a financial institution with capital and surplus of at least \$25,000,000 and a subsidiary of Citigroup Inc. ("Citigroup"), or (ii) another direct or indirect wholly-owned subsidiary of Citigroup (and such actual transferee is referred to as the "Transferee"), none of which is affiliated with Public Service Company of New Mexico ("PNM"). Upon the transfer, the Transferee will own an equity interest, through an existing owner trust, of a portion of the interest in the Palo Verde Nuclear Generating Station ("PVNGS") Unit 1, which was the subject of a sale and leaseback transaction in 1985 that was approved by the Commission.

**Background.** In 1985, PNM proposed to enter into the sale and leaseback transaction relating to PVNGS Unit 1. 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. Currently, Cypress holds (through the existing owner trust structures) (i) a 1.36 percent undivided ownership interest in Unit 1 and (ii) a separate 1.36 percent undivided interest in Unit 2 (which interest in Unit 2 is not the subject of this notice).

**Subject of this Notice.** Cypress' 1.36 percent undivided ownership interests in Unit 1 is the subject of this notice (the "Subject Interest"). 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.

Cypress has notified PNM that Cypress proposes to transfer the Subject Interest to the Transferee and, in connection therewith, the Transferee will execute an assignment and assumption agreement for the Subject Interest, pursuant to which the Transferee will assume the rights and obligations of Cypress under the existing applicable PVNGS sale and leaseback transaction documents and will otherwise comply with the transaction documents. We will notify you of the name of the actual Transferee (and its parent company, if required) once such parties are designated by Citibank or Citigroup.

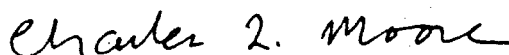
Cypress has further notified PNM that the parties plan to close the proposed transfer on or about September 28, 2010, and it has therefore requested that PNM provide this advance written notice to the Commission with respect to the transfer. The proposed transfer will be made in a manner that is specifically permitted under the sale and leaseback transaction as it was originally approved by the Commission. The current "owner trustee" for the sale and leaseback transaction, U.S. Bank National Association, will remain unchanged, and the terms of the lease will remain unchanged.

Please note that one of the original owner participants for a PVNGS Unit 2 sale and leaseback transaction in 1986 was CGI Capital, Inc., which still remains as an owner participant today. CGI Capital, Inc. also is an affiliate of Citigroup. In addition, financial information for Citigroup is available on its website at [www.citigroup.com](http://www.citigroup.com). Financial information for Citibank also is available on the Citigroup website by selecting the "Investors" banner and the "Other Regulatory Filings" link.

**Request.** As discussed earlier this year with Randy Hall in connection with the transfer from an earlier owner participant to Cypress (see Mr. Hall's letter dated March 19, 2010; TAC NOS. ME3095 AND 3096), we are not seeking any kind of review or approval from the Commission. The license requirement with which we are complying simply requires prior notice in writing to the Commission. Accordingly, we are only seeking acknowledgment of receipt of this prior written notice and an indication of "no objection". We have provided a space below for Staff to sign in that regard and are providing an extra copy of this letter for return to the undersigned.

If you have any questions, please do not hesitate to contact the undersigned at (505) 241-4935. Again, as noted above, Cypress and the Transferee plan to close the transaction on or about September 28, 2010.

Sincerely,



Charles L. Moore  
Associate General 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 and Lauren Gibson, Project  
Manager  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

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

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ACKNOWLEDGEMENT OF RECEIPT OF THE ABOVE PRIOR WRITTEN  
NOTICE AND INDICATION OF "NO OBJECTION":

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Name:  
Title:  
Date: