



102-06909-TNW/CJS
July 9, 2014

**Palo Verde
Nuclear Generating Station**
P.O. Box 52034
Phoenix, AZ 85072
Mail Station 7636
Tel: (623) 393-5764

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

Dear Sirs:

**Subject: Palo Verde Nuclear Generating Station (PVNGS) Unit 2
Renewed Operating License No. NPF-51
Docket No. STN 50-529
Arizona Public Service Company (APS) Sale and Leaseback
Transaction Renewal**

This letter is being written in compliance with Paragraph 2.B(8)(b) of Renewed Facility Operating License No. NPF-51. Pursuant to Paragraph 2.B(8)(b), the licensees are required to notify the NRC in writing prior to any change in "the terms or conditions of any lease agreements executed as part of this transaction."

The purpose of this letter is to provide prior written notification of a proposed amendment to the Unit 2 Facility Lease (the Lease) between Arizona Public Service Company (APS), as Lessee, and U.S. Bank National Association, as Owner Trustee under a Trust Agreement with PV2-APS 150 Corporation as Owner Participant (the OP), reflecting the APS exercise of the renewal option permitted under the Lease.

In 1986, APS proposed to enter into sale and leaseback transactions relating to Palo Verde Nuclear Generating Station (PVNGS) Unit 2. On December 11, 1986, the Nuclear Regulatory Commission (NRC) issued a license amendment pursuant to which APS transferred and leased back a portion of its ownership share in PVNGS Unit 2 to an institutional investor, noting the term of the lease was for approximately 29-1/2 years, subject to a right of renewal. In the Renewed Facility Operating License No. NPF-51, issued April 21, 2011, the NRC restated the representations and conditions for the PVNGS Unit 2 sale and leaseback transactions.

On July 7, 2014, APS provided the OP with its notice of intent to exercise the renewal option permitted in the Lease upon expiration of the basic lease term on January 15, 2016. This exercise of the renewal option is the subject of Amendment 3 to the Lease. The parties have agreed to the terms of Amendment 3 and plan to sign the amendment on or about July 10, 2014. Amendment 3 renews the Lease for a renewal term ending on January 15, 2024.

A member of the **STARS** (Strategic Teaming and Resource Sharing) Alliance

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No commitments are being made to the NRC by this letter. Should you need further information regarding this submittal, please contact me at (623) 393-5764.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas N. Weber". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas N. Weber
Department Leader, Regulatory Affairs

TNW/CJS/hsc

cc:	M. L. Dapas	NRC Region IV Regional Administrator
	J. K. Rankin	NRC NRR Project Manager for PVNGS
	B. K. Singal	NRC NRR Project Manager
	M. M. Watford	NRC NRR Project Manager
	M. A. Brown	NRC Senior Resident Inspector for PVNGS (electronic)