



102-07123-TNW/CJS
September 29, 2015

**Palo Verde
Nuclear Generating Station**
P.O. Box 52034
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Mail Station 7636
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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 Nuclear Regulatory Commission (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 each of:

- The Unit 2 Facility Lease (the OP1 Lease) between Arizona Public Service Company (APS), as Lessee, and U.S. Bank National Association, as Owner Trustee under a Trust Agreement with Security Pacific Capital Leasing Corporation as Owner Participant (OP1), and
- The Unit 2 Facility Lease (the OP2 Lease) between APS, as Lessee, and U.S. Bank National Association, as Owner Trustee under a Trust Agreement with Emerson Finance LLC as Owner Participant (OP2).

These amendments reflect the APS exercise of the renewal option permitted under the OP1 Lease and the OP2 Lease.

In 1986, APS proposed to enter into sale and leaseback transactions relating to Palo Verde Nuclear Generating Station (PVNGS) Unit 2. On August 15, 1986, the NRC issued a license amendment pursuant to which APS transferred and leased back a portion of its ownership share in PVNGS Unit 2 to institutional investors, noting the term of the lease was for approximately 29-½ years, subject to a right of renewal.

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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 OP1 and OP2 with its notice of intent to exercise the renewal option permitted in the OP1 Lease and the OP2 Lease upon expiration of the basic lease term on December 31, 2015. This exercise of the renewal option is the subject of an amendment to the OP1 Lease and the OP2 Lease. The parties have agreed to the terms of each amendment and plan to sign the amendments on or about September 30, 2015. The amendments renew the OP1 Lease and the OP2 Lease for a renewal term ending on December 31, 2033.

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,

Thomas N. Weber
Department Leader, Regulatory Affairs

TNW/CJS/hsc

cc:	M. L. Dapas	NRC Region IV Regional Administrator
	M. M. Watford	NRC NRR Project Manager for PVNGS
	C. A. Peabody	NRC Senior Resident Inspector for PVNGS