

Public Service Company of New Mexico
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Albuquerque, NM 87102-3289
PNM.com



January 7, 2016

Certified Mail - Return Receipt Requested

U.S. Nuclear Regulatory Commission
Document Control Desk
11555 Rockville Pike
Rockville, MD 20852

Sale and Leaseback Transactions by
Public Service Company of New Mexico
NRC Docket No. STN 50-529
Renewed Facility Operating License No. NPF-51
Palo Verde Nuclear Generating Station (PVNGS), Unit 2

Ladies and Gentlemen:

The purpose of this letter is to provide prior written notification to the Nuclear Regulatory Commission (the "Commission") of the re-acquisition by the seller/lessee, Public Service Company of New Mexico ("PNM"), of title to the leased assets in four (4) sale and leaseback transactions that were the subject of a license amendment in the above docket.

Each of the four re-acquisition transactions will involve PNM re-acquiring direct ownership of separate percentage ownership interests from the trusts that presently hold title to such interests and lease such interests to PNM. The following table identifies the trusts (by trust number), the percentage ownership interest held by each such trust and the beneficiary of such trust (also known as the "owner participant").

JANUARY 15, 2016 RE-ACQUISITIONS OF OWNERSHIP INTERESTS IN PVNGS UNIT 2		
<i>Trust Designation</i>	<i>Leased % Interest</i>	<i>Beneficiary of the Trust (Owner Participant)</i>
Trust No. 5	2.3800000	CGI Capital, Inc.
Trust No. 7	1.3600000	Cypress Verde LLC
Trust No. 8	1.1333333	Cypress Second PV Partnership
Trust No. 9	2.2670000	PNM
TOTAL	7.1403333%	

ADD
NRR

Background.

In 1986, PNM proposed to enter into the sale and leaseback transactions relating to the 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 (PVNGS 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. After giving effect to the re-acquisition transactions notice in this letter, the only sale and leaseback transaction that will remain outstanding with respect to PNM's interest in PVNGS Unit 2 is the sale and leaseback transaction that is the subject of the Commission's approval letter dated December 11, 1986. The December 11, 1986 approval letter covered the issuance of Amendment No. 6 to Facility Operating License NPF-51 (PVNGS Unit 2), approving a Unit 2 sale and leaseback transaction, subject to 10 C.F.R. § 50.81 and the conditions set forth in such Amendment. The leaseback leg of the remaining PVNGS Unit 2 ownership interest has been extended through January 15, 2024, as noticed to the Commission in PNM letter dated March 7, 2014, which is provided as Attachment 1.

In connection with each re-acquisition transaction, the related lease-back leg of the sale and leaseback transaction will terminate, and PNM will be returned to its prior direct ownership position in the subject interest in PVNGS Unit 2 as such position existed immediately prior to the sale and leaseback transaction.

Three of the four re-acquisition transactions (with Trust Nos. 5, 7 and 8) will occur by PNM exercising a purchase option. The fourth re-acquisition transaction (with Trust No. 9) will occur by way of Trust No. 9 liquidating and deeding its PVNGS Unit 2 ownership interests to PNM, the sole beneficiary/owner participant of such trust. The transaction with Trust No. 9 will occur in the same manner as the 1998 transaction pursuant to which a trust of which PNM was then beneficiary liquidated and deeded its PVNGS Unit 2 interest to PNM. A copy of the March 5, 1998 notice letter to the Commission relating to the 1998 transaction accompanies this notice letter as Attachment 2.

Subject of this Notice.

The re-acquisition transactions that are the subject of this Notice reflect the unwinding of the related sale and leaseback transactions.

With respect to an equity/owner participant interest transfer in 2007, the Commission Staff advised PNM by letter dated October 18, 2007, that prior written notice to the Commission would be 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 would otherwise remain unchanged. Delivery of this prior notice to the Commission is intended to satisfy the PVNGS Unit 2 prior notice license requirement concerning changes in PNM's PVNGS Unit 2 sale and leaseback transactions where the changes are transfers of title to the subject interests in PVNGS Unit 2 and termination of the related leases. Please note that, upon

such title transfer and lease termination, ownership will vest completely in PNM, the present licensee with respect to the subject interests, and not an affiliate of PNM or any other person or entity. The re-acquisition transactions will not, therefore, involve a direct or indirect transfer of the license for PVNGS Unit 2.

Request.

The license requirement, 2.B(6)(b), with which we are complying requires prior notice in writing to the Commission. We are providing such notice but are not seeking any kind of review, approval or other action from the Commission. We are sending an informational copy of this notice by e-mail to Ms. Margaret Watford, who we understand is the current Project Manager.

If you have any questions, please do not hesitate to contact the undersigned at (505) 241-4935. Again, as noted above, the Transferor and the Transferee plan to close the transaction on or about January 15, 2016.

Sincerely,



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

Attachment

cc by e-mail: Margaret Watford, NRR Project Manager for PVNGS,
(margaret.watford@nrc.gov)

Michael Green, Esq., Arizona Public Service Company,
(michael.green@pinnaclewest.com)

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102-3289
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March 7, 2014

Via FedEx

U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Sale and Leaseback Transaction by
Public Service Company of New Mexico
NRC Docket No. STN 50-529
Renewed Facility Operating License No. NPF-51
Palo Verde Nuclear Generating Station, Unit 2

Ladies and Gentlemen:

This letter is being written in compliance with Paragraph 2.B(6)(b) of Renewed Facility Operating License No. NPF-51. Pursuant to Paragraph 2.B(6)(b)(i), 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 the proposed Amendment 2 to the Facility Lease (Unit 2) (the "Lease") between Public Service Company of New Mexico ("PNM"), as Lessee, and U.S. Bank National Association, as Owner Trustee under a Trust Agreement with PV2-PNM December 35 Corporation (the "OP"), as Owner Participant, reflecting PNM's exercise of the renewal option permitted under the Lease.

Background. In 1986, PNM proposed to enter into sale and leaseback transactions relating to Palo Verde Nuclear Generating Station ("PVNGS") Unit 2. On December 11, 1986, the Commission issued a license amendment pursuant to which PNM transferred and leased back portions of its ownership share in PVNGS Unit 2 to certain institutional investors, noting the term of the leases was for approximately 29½ years, subject to a right of renewal. In the Renewed Facility Operating License No. NPF-51, dated April 21, 2011, the Commission restated the representations and conditions for the PVNGS Unit 2 sale and leaseback transactions.

On August 19, 2013 and November 26, 2013, PNM provided Jennie Rankin of the NRC with this same type of prior written notification for PNM's Unit 1 lease

ATTACHMENT 1

U.S. Nuclear Regulatory Commission
March 7, 2014
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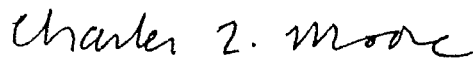
amendments. PNM understands that Ms. Rankin is on leave and that Andrea E. George is the acting contact. Ms. George is therefore being provided a copy of this notification.

Subject of this Notice. On December 30, 2013, PNM provided the OP with its notice of intent to exercise the renewal option permitted in Section 12 of the Lease upon expiration of the Basic Lease Term on January 15, 2016. This exercise of renewal option is the subject of Amendment 2 to the Lease. The parties have agreed to the terms of Amendment 2 and plan to sign the amendment on or about March 18, 2014. Amendment 2 renews the Lease for a renewal term ending on January 15, 2024.

Prior Notice to the Commission. The license requirement with which we are complying simply requires prior notice in writing to the Commission, and we are not seeking any kind of review or approval.

If you have any questions, please do not hesitate to contact the undersigned at 505-241-4935 or Leonard Sanchez at 505-241-4941.

Sincerely,



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

cc by e-mail:

Office of Nuclear Reactor Regulation
Division of Operating Reactor Licensing
Plant Licensing Branch IV
Attn: Andrea E. George (Andrea.George@nrc.gov)

Arizona Public Service Company
Attn: Michael Green (Michael.Green@pinnaclewest.com)

Palo Verde Owner Services
Attn: Judy Mellody (judith.mellody@aps.com)

MAR -06 '98 (FRI) 10:40 KELENER-PNM TEL:5053461345
MAR 06 '98 08:40AM APS LAW DEPT
MAR-06-98 07:36 PVNGS Nuclear Reg Affairs 602-393-5442

P. 005
P. 02



Palo Verde Nuclear
Generating Station

James M. Levine
Senior Vice President
Nuclear

TEL: (602)393-5303
FAX: (602)393-6077

Mail Station 7603
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Phoenix, AZ 85072-2034

102-04090 - JML/AKK/RMW
March 5, 1998

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

**Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1 and 2
Docket No. STN 50-628/529
Revision to Information with Respect to Sale and Leaseback
Transactions by Public Service Company of New Mexico**

Dear Sirs:

This letter is being provided to notify the NRC of a revision to the information provided in support of the Sale and Leaseback Transactions by Public Service Company of New Mexico (PSNM), approved as License Conditions 2.B(6) of Amendments 3, 8 and 11 to License NPF-41 and License Conditions 2.B(6)(a) of Amendments 2 and 6 to License NPF-61 (the Amendments). Please note that this revision does not require a change to the aforementioned Amendments.

In the documents provided in support of the aforementioned transactions, as supplemented by letters from Mudge, Rose, Guthrie, Alexander & Fardon, to the NRC, dated May 4, 1992 and September 2, 1992. It has been reported to the NRC that the original equity investors in two of the leases (out of a total of eleven leases) transferred their beneficial interests to PSNM, the licensee, in 1992. PSNM now plans to collapse the two sale/leaseback transactions in which it is the equity investor, which means that the relevant ownership interests would be transferred from the Owner Trustee back to PSNM, the licensee. Prior notification of such a change is being provided to the NRC pursuant to the Amendments, paragraph 2.B(6)(b). No commitments are being made, or implied, to the NRC by this letter.

Please contact Mr. Scott Bauer at (602) 393-5978 if you have any questions or would like additional information regarding this matter.

Sincerely,

ATTACHMENT 2

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Revision to Information with Respect to Sale and Leaseback Transactions by Public
Service Company of New Mexico
Page 2

JML/SAB/RMW/rh

cc: E. W. Merschoff
K. E. Perkins
J. W. Clifford
J. H. Moorman