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June 17, 2016

Via Certified Mail - Return Receipt Requested

U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Sale and Leaseback Transaction by
Arizona Public Service Company
NRC Docket No. STN 50-529
Renewed Facility Operating License No. NPF-51
Palo Verde Nuclear Generating Station, 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 proposed transfer of an equity interest in a sale and leaseback transaction that was the subject of a license amendment in the above docket.

The proposed transfer of the equity interest would be from PV2-APS 150 Corporation, a Delaware corporation (the "Transferor"), to Access Energy Investors III, LLC, a Delaware limited liability company (the "Transferee"). The Transferee has represented that its 100% owner, Access Leasing Corporation, a Delaware corporation, will have on the date the proposed transfer is consummated a net worth or capital and surplus of at least \$25,000,000. The Transferee is not affiliated with Arizona Public Service Company ("APS"). 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 2, which was the subject of a sale and leaseback transaction consummated in December, 1986.

Background. In 1986, APS proposed to enter into the sale and leaseback transaction relating to PVNGS Unit 2. By letter dated December 11, 1986, the Commission issued an amendment 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, the Transferor holds (through the existing owner trust structure) a 3.3758701 percent undivided ownership interest in Unit 2. Such amendment is Condition 8 to the Unit 2 Renewed Operating License Amendment No. 197.

Subject of this Notice. The Transferor's 3.3758701 percent undivided ownership interest in Unit 2 is the subject of this notice (the "Subject Interest"). With respect to another (unrelated) equity

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interest transfer in 2007, Mike Markley of the Commission Staff advised Public Service Company of New Mexico ("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. This point was clarified in an e-mail from Randy Hall in connection with the 2010 transfer of an interest in PVNGS Unit 1 from Cypress PV Partnership to Citicorp Buffalo Basin, Inc. Mr. Hall, in an e-mail dated November 18, 2010, explained that the operating license condition to provide prior written notice to the Commission is satisfied by the delivery to the Commission of the notice letter.

The Transferor has notified APS that the Transferor 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 the Transferor under the existing applicable PVNGS sale and leaseback transaction documents and will otherwise comply with the transaction documents.

The Transferor has further notified APS that the parties plan to close the proposed transfer on or around June 30, 2016, and it has therefore requested that APS 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.

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

- a) Pro forma balance sheet of Access Leasing Corporation (the parent of the Transferee) dated as of March 31, 2016 (attached as "Exhibit A").
- b) Summary about the Transferee and its ownership structure and management (attached as "Exhibit B").

In addition, should you find it useful to reference, the Transferee also forwarded to us the company internet address of Access Leasing Corporation, which the Transferee indicated sets forth additional information regarding its businesses. The website can be found at: <http://www.accesslc.com>.

Request. Consistent with the explanation provided by Mr. Hall in 2010 noted above, we are not seeking any kind of review, approval or other action from the Commission. The license requirement with which we are complying simply requires prior notice in writing to the Commission.

Accordingly, the signed "Return Receipt" confirming the Certified Mail delivery of this notice to the Commission will be used by the parties as confirmation of compliance with the prior

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written notice requirement. We are sending an informational copy of this notice by e-mail to Margaret Watford, who we understand is the current Project Manager.

If you have any questions, please do not hesitate to contact the undersigned at (602) 250-3706. Again, as noted above, the Transferor and the Transferee plan to close the transaction on or around June 30, 2016.

Sincerely,



Shirley Baum
Associate General Counsel
Pinnacle West Capital Corporation
Counsel for APS

SB:bd
Attachments

cc by e-mail: Siva Lingam, NRR Project Manager for PVNGS,
(siva.lingam@nrc.gov)

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

EXHIBIT A

ACCESS LEASING CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND SHAREHOLDER'S EQUITY**

ASSETS

	March 31
	<u>2016</u>
CURRENT ASSETS:	
Cash	\$ 4,003,374
Investments in marketable securities	7,265,034
Lease revenue receivable	152,298
Prepays	21,345
Notes receivable	32,525,850
Other receivables	<u>2,148,387</u>
Total current assets	46,116,287
 PROPERTY AND EQUIPMENT, AT COST:	
Equipment held for leasing, secured	21,419,229
Office equipment and furniture	<u>14,307</u>
	21,433,536
Less accumulated depreciation	<u>(1,793,739)</u>
Total property and equipment	19,639,797
 OTHER ASSETS:	
Investment in and advance to partnerships	10,072,944
Investment in leveraged equipment leases	156,406
Other assets	-
Loan fees (net)	159,721
	<u>10,389,071</u>
Total other assets	10,389,071
	<u>\$ 76,145,154</u>

EXHIBIT A

ACCESS LEASING CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES,
AND SHAREHOLDER'S EQUITY**

LIABILITIES AND SHAREHOLDER'S EQUITY

	March 31
	<u>2016</u>
CURRENT LIABILITIES:	
Notes payable to banks	\$ 21,285,282
Notes payable	50,000
Accrued interest	25,407
Other payables	<u>911</u>
Total current liabilities	21,361,600
 LONG-TERM LIABILITIES	
Deferred taxes arising from leveraged equipment leases	<u>12,740</u>
Total long-term liabilities	<u>12,740</u>
 SHAREHOLDER'S EQUITY	
Common stock, no par value authorized 3,000 shares; issued and outstanding 3,000 shares	248,000
Unrealized gain/(loss)	(446,051)
Non-controlling interest in subsidiary	1,608,375
Retained earnings	<u>53,360,490</u>
Total shareholder's equity	<u>54,770,814</u>
	<u>\$ 76,145,154</u>

EXHIBIT B

About Access Leasing Corporation ~ Transferee's Owner

Ultimate management authority for Access Leasing Corporation rests with Charles Kremer, the controlling shareholder and President. Mr. Kremer became a Chartered Accountant in 1972 while working for Price Waterhouse in London, England. He began his equipment leasing career with PLM Corporation in 1979, and became President of PLM Financial Services in 1981 which grew to be a major equipment leasing syndicator and which was taken public in 1983. Mr. Kremer founded Access Leasing Corporation in 1984, the same year he became a US citizen. Access specializes in purchasing secondary market equipment leasing transactions from institutional lessors.