



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

ARIZONA PUBLIC SERVICE COMPANY, ET AL.\*

DOCKET NO. STN 50-528

PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 11  
License No. NPF-41

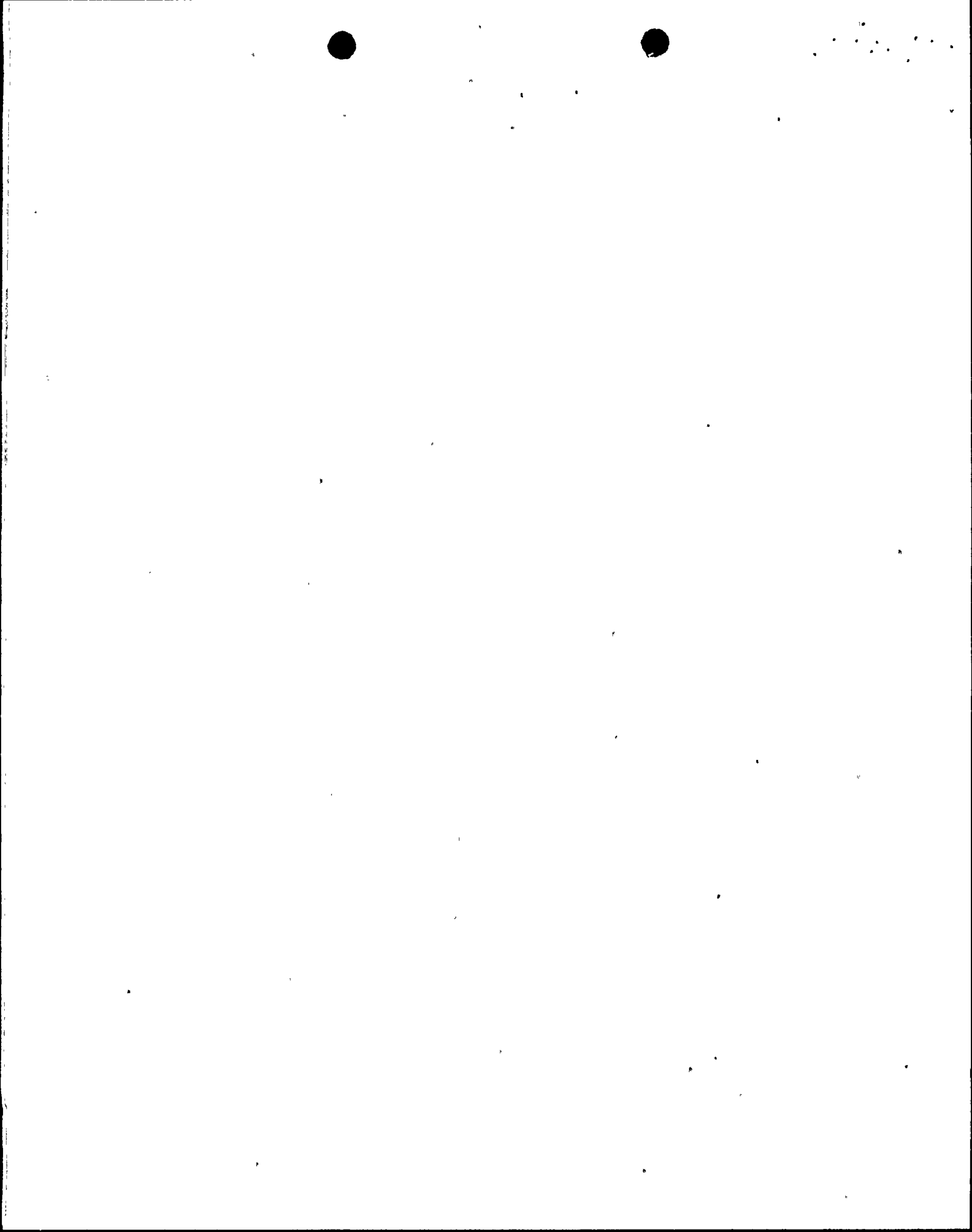
1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The present amendment, issued in response to the October 16, 1986 application, as supplemented on November 26, 1986, by the Arizona Public Service Company with respect to sale and leaseback financing transaction by Public Service Company of New Mexico, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act) and the Commission's regulations set forth in 10 CFR Chapter I;
  - B. In approving the aforementioned application, (and related applications for Palo Verde, Unit 2), the Director of the Office of Nuclear Reactor Regulation, by letter of December 11, 1986, stated:

This approval is subject to the condition that the lessors and anyone else who may acquire an interest under the transactions which are the subject of these applications, are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde nuclear facilities. For purposes of this condition, the limitations in 10 C.F.R. 50.81, "Creditor Regulations," as now in effect and as these may be subsequently amended, are fully applicable to the named lessors and any successors in interest to those lessors as long as the licenses for Palo Verde Nuclear Generating Station, Units 1 and 2, remain in effect. These financial transactions shall have no effect on the licenses for the Palo Verde Nuclear Generating Station, Units 1 and 2.

These transactions are similar to that approved by the Commission in its Order of December 12, 1985, with regard to the sale and leaseback of PNM's interest in Palo Verde, Unit 1. Subject to the foregoing, the Commission hereby approves the applications under the conditions set forth in the enclosed amendments to the licenses for Palo Verde, Units 1 and 2. These amendments authorize such sale and leaseback transactions until June 30, 1987.

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\*The other licensees are the Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority.



- C. The Commission, by Order of December 12, 1985, approved the sale and leaseback of Public Service Company of New Mexico's undivided interest in Palo Verde, Unit 1. The license amendment issued pursuant to that Commission Order and the licensee's application provided that the transfer was to be made by December 31, 1985. Not all of Public Service Company of New Mexico's undivided interest in Palo Verde, Unit 1 was transferred by that date. By application of February 5, 1986, APS sought an extension of the time until August 31, 1986, in which the Public Service Company of New Mexico may sell the remaining portion of its interest in Palo Verde, Unit 1 under sale and leaseback transactions. On June 2, 1986 a license amendment was issued, which authorized such sale and leaseback transactions until August 31, 1986. The October 16, 1986, application requested a further extension. The present amendment authorizes such sale and leaseback transactions until June 30, 1987.
  - D. The facility will operate in conformity with the above application and the Commission's letters of June 2 and December 11, 1986, the provisions of the Act, and the regulations of the Commission;
  - E. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
  - F. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public;
  - G. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
  - H. The present amendment authorizes any such sale and leaseback transactions made pursuant thereto until June 30, 1987.
2. Accordingly, Paragraph 2.B(6) is hereby amended to read as follows:
- (6)(a) Pursuant to an Order of the Nuclear Regulatory Commission dated December 12, 1985, the Public Service Company of New Mexico (PNM) was authorized to transfer a portion of its ownership share in Palo Verde, Unit 1 to certain institutional investors on December 31, 1985, and at the same time has leased back from such purchasers the same interest in the Palo Verde, Unit 1 facility. The term of the lease is to January 15, 2015, subject to a right of renewal. Additional sale and leaseback transactions (for a term expiring on January 15, 2015) of all or a portion of PNM's remaining ownership share in Palo Verde Unit 1 are hereby authorized until June 30, 1987. Any such sale and leaseback

transaction is subject to the representations and conditions set forth in the aforementioned applications of October 19, 1985, February 5, 1986, October 16, 1986 and November 26, 1986, and the Commission's Order of December 12, 1985, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 1. For purposes of this condition, the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 1 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.

- (b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 1 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.

3. This license amendment is effective as of the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION



Frank Schroeder, Acting Director  
Division of PWR Licensing-B

Date of Issuance: December 11, 1986



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

ARIZONA PUBLIC SERVICE COMPANY, ET AL.\*

DOCKET NO. STN 50-529

PALO VERDE NUCLEAR GENERATING STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 6  
License No. NPF-51

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The present amendment, issued in response to the October 16, 1986 applications, as supplemented on November 26 and December 5, 1986, by the Arizona Public Service Company with respect to sale and leaseback financing transactions, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I;
  - B. In approving the aforementioned applications, (and a related application for Palo Verde Unit 1), the Director of the Office of Nuclear Reactor Regulation, by letter of December 11, 1986, stated:

This approval is subject to the condition that the lessors and anyone else who may acquire an interest under the transactions which are the subject of these applications, are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde nuclear facilities. For purposes of this condition, the limitations in 10 C.F.R. 50.81, "Creditor Regulations," as now in effect and as these may be subsequently amended, are fully applicable to the named lessors and any successors in interest to those lessors as long as the licenses for Palo Verde Nuclear Generating Station, Units 1 and 2, remain in effect. These financial transactions shall have no effect on the licenses for the Palo Verde Nuclear Generating Station, Units 1 and 2.

These transactions are similar to that approved by the Commission in its Order of December 12, 1985, with regard to the sale and leaseback of PNM's interest in Palo Verde, Unit 1. Subject to the foregoing, the Commission hereby approves the applications under the conditions set forth in the enclosed amendments to the licenses for Palo Verde, Units 1 and 2. These amendments authorize such sale and leaseback transactions until June 30, 1987.

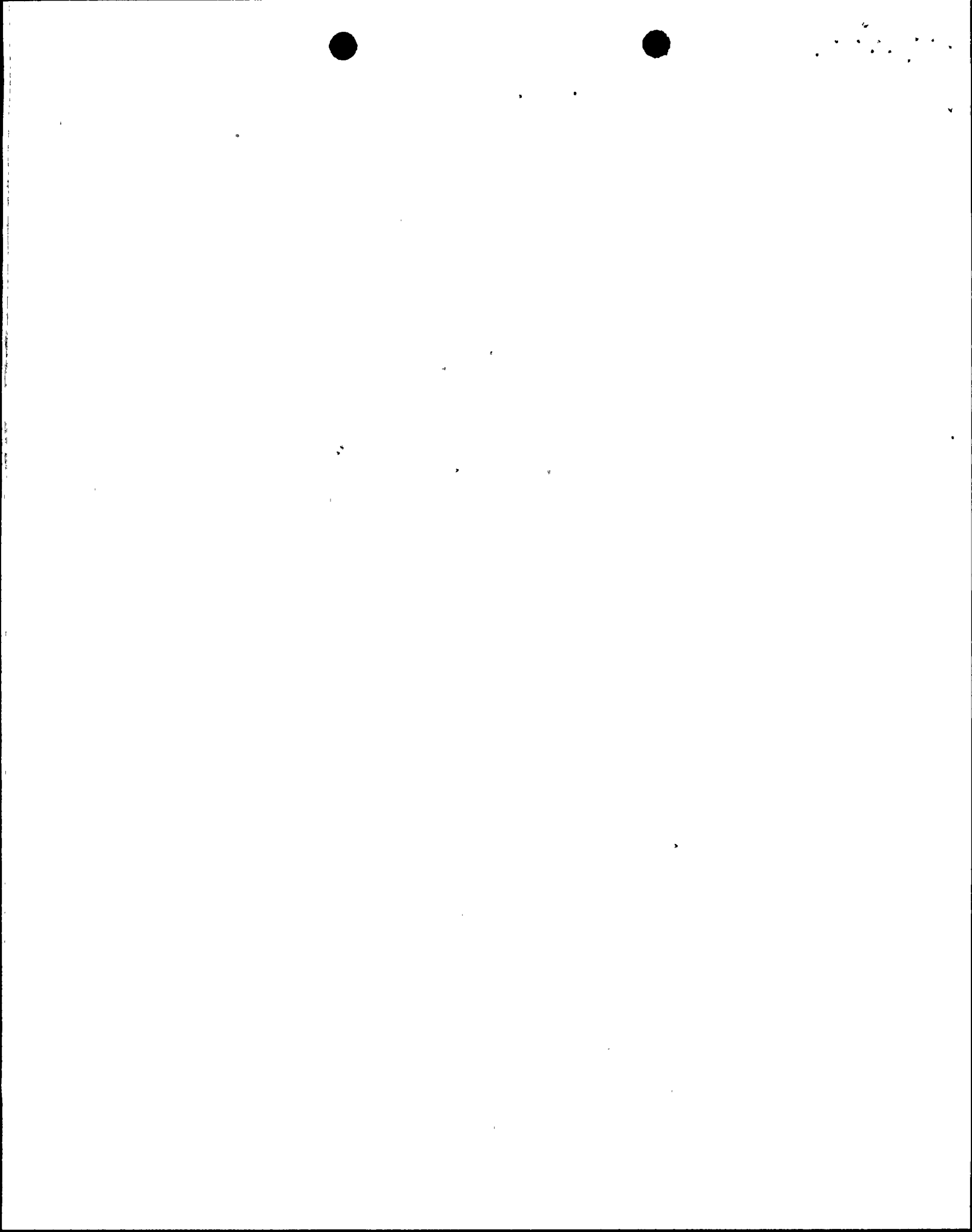
\*The other licensees are the Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power, and Southern California Public Power Authority.

- C. The facility will operate in conformity with the above applications and the Director of the Office of Nuclear Reactor Regulation's letters of August 12, August 15 and December 11, 1986, the provisions of the Act, and the regulations of the Commission;
  - D. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
  - E. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public;
  - F. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
  - G. The present amendment authorizes any such sale and leaseback transactions made pursuant thereto until June 30, 1987.
2. Accordingly, Paragraphs 2.B(6), 2.B(7) and 2.B(8) are hereby amended to read as follows:

(6)(a) Public Service Company of New Mexico (PNM) is authorized to transfer all or a portion of its 10.2% ownership share in Palo Verde, Unit 2 and a proportionate share of a third of PNM's interest in the Palo Verde common facilities to certain equity investors identified in its submission of August 6, 1986, and at the same time to lease back from such purchasers such interest sold in the Palo Verde, Unit 2 facility. The term of the lease is for approximately 29- $\frac{1}{2}$  years subject to a right of renewal. Additional sale and leaseback transactions of all or a portion of PNM's remaining ownership share of Palo Verde, Unit 2 are hereby authorized until June 30, 1987. Any such sale and leaseback transaction is subject to the representations and conditions set forth in the aforementioned application of February 14, 1986, and the subsequent submittals dated April 22, June 10, July 29, July 30, August 6, and August 7, October 16 and November 26, 1986, as well as the letters of the Director of the Office of Nuclear Reactor Regulation dated August 12 and December 11, 1986, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 2. For purposes of this condition the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they

may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 2 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.

- (b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 2 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.
- (7)(a) El Paso Electric Company is authorized to transfer all or a portion of its 15.8% ownership share in Palo Verde, Unit 2 and a proportionate share of a third of its interest in the Palo Verde common facilities to certain equity investors identified in its submission of August 7, 1986, and at the same time to lease back from such purchasers such interest sold in the Palo Verde, Unit 2 facility. The term of the lease is for approximately 27 years subject to a right of renewal. Additional sale and leaseback transactions of all or a portion of El Paso's remaining ownership share in Palo Verde, Unit 2 are hereby authorized until June 30, 1987. Any such sale and leaseback transaction is subject to the representations and conditions set forth in the aforementioned application of April 15, 1986, and the subsequent submittals dated June 3, July 30, August 7, August 8, August 13, October 16 and November 26, 1986, as well as the letters of the Director of the Office of Nuclear Reactor Regulation dated August 15 and December 11, 1986, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 2. For purposes of this condition the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 2 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.
- (b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 2 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.






- (8)(a) Arizona Public Service Company is authorized to transfer all or a portion of its 29.1% ownership share in Palo Verde, Unit 2 to certain equity investors identified in its submissions of August 6, August 8 and December 5, 1986, and at the same time to lease back from such purchasers such interest sold in the Palo Verde, Unit 2 facility. The term of the lease is for approximately 29- $\frac{1}{2}$  years subject to a right of renewal. Additional sale and leaseback transactions of all or a portion of APS's remaining ownership share in Palo Verde, Unit 2 are hereby authorized until June 30, 1987. Any such sale and leaseback transaction is subject to the representations and conditions set forth in the aforementioned application of May 2, 1986, and the subsequent submittals dated July 30, August 2, August 6, August 7, August 8, August 13, October 16 and December 5, 1986, as well as the letters of the Director of the Office of Nuclear Reactor Regulation dated August 15, and December 11, 1986, consenting to such transactions. Specifically, the lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising directly or indirectly any control over the licensees of the Palo Verde Nuclear Generating Station, Unit 2. For purposes of this condition the limitations in 10 CFR 50.81, "Creditor Regulations," as now in effect and as they may be subsequently amended, are fully applicable to the lessor and any successor in interest to that lessor as long as the license for Palo Verde, Unit 2 remains in effect; this financial transaction shall have no effect on the license for the Palo Verde nuclear facility throughout the term of the license.
- (b) Further, the licensees are also required to notify the NRC in writing prior to any change in: (i) the terms or conditions of any lease agreements executed as part of this transaction; (ii) the ANPP Participation Agreement, (iii) the existing property insurance coverage for the Palo Verde nuclear facility, Unit 2 as specified in licensee counsel's letter of November 26, 1985, and (iv) any action by the lessor or others that may have an adverse effect on the safe operation of the facility.

3. This license amendment is effective as of the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

  
Frank Schroeder, Acting Director  
Division of PWR Licensing-B

Date of Issuance: December 11, 1986