



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO AMENDMENT NO. 11 TO FACILITY OPERATING LICENSE NO. NPF-41 AND
AMENDMENT NO.6 TO FACILITY OPERATING LICENSE NO. NPF-51
ARIZONA PUBLIC SERVICE COMPANY, ET AL.
PALO VERDE NUCLEAR GENERATING STATION, UNITS 1 AND 2
DOCKET NOS. STN 50-528 AND STN 50-529

1.0 INTRODUCTION

By three applications dated October 16, 1986, and supplemented on November 26 and December 5, 1986, the Arizona Public Service Company (APS) requested approval for (1) Public Service Company of New Mexico (PNM) to sell and lease back all or part of its remaining ownership interest in Unit 1 of the Palo Verde Nuclear Generating Station and (2) APS, El Paso Electric Company (El Paso) and PNM to sell and lease back all or part of their remaining ownership interests in the Palo Verde Nuclear Generating Station, Unit 2.

2.0 COMMISSION ACTION

On December 12, 1985, the Nuclear Regulatory Commission, upon review of the staff's Policy Papers SECY-85-350 and SECY 85-367 which contained a discussion of this type of proposed transaction, issued an Order ^{1/} consenting to a sale and leaseback transaction for Palo Verde, Unit 1. To provide for health and safety concerns, it required that:

- (1) The lessor and anyone else who may acquire an interest under the proposed transaction be prohibited from exercising directly or indirectly any control over the licensees of Palo Verde, Unit 1. For purpose 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 named lessor and any successor in interest to that lessor as long as the license for the Palo Verde, Unit 1 remains in effect. Accordingly, this financial transaction shall have no effect on the license for Palo Verde, Unit 1 throughout the term of the license.

^{1/} Arizona Public Service Company (Palo Verde Unit 1), Docket No. STN 50-528
December 12, 1985.

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- (2) The Palo Verde, Unit 1 operating license be amended to expressly require that the NRC be notified in writing prior to any change in: (i) the executed lease agreements; (ii) the ANPP Participation Agreement; (iii) the existing insurance policies; and (iv) any action by the lessor or others which may have an adverse effect on the safe operation of the facility.
- (3) The Palo Verde, Unit 1 license be amended to reflect the licensee's position as a lessee of the facility.

The Commission's Order authorized the sale and lease back of licensee, Public Service Company of New Mexico's interest in the Palo Verde, Unit 1 facility. Several license amendments have been issued for Palo Verde, Units 1 and 2 to reflect approval of sale and leaseback transactions. The present applications for license amendments seek an extension of time for the previously issued authorizations of sale and leaseback transactions by PNM of its ownership interests in Palo Verde, Units 1 and 2, and by APS and El Paso of their ownership interests in Palo Verde, Unit 2.

3.0 CONTACT WITH STATE OFFICIAL

The Arizona Radiation Regulatory Agency has been advised of the proposed determination of no significant hazards consideration with regard to the amendments. No comments were received.

4.0 ENVIRONMENTAL CONSIDERATIONS

These amendments only involve the administration of the credit and financial arrangements for Palo Verde, Units 1 and 2. The parties will enter into agreements which provide for the sale and lease back of ownership shares by APS, El Paso and PNM under terms requiring continued full control and responsibility over these ownership shares by APS, El Paso and PNM. The lessors and anyone else who may acquire an interest under these transactions are prohibited from exercising, directly or indirectly, any control of the licensees. The amendments also include a reporting requirement that the NRC must be notified in writing prior to any change in the executed lease agreements, the ANPP participation agreement, and the existing insurance policies. Accordingly, the amendments meet the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22 (c)(10).

5.0 CONCLUSION

The staff has concluded, based on the considerations discussed above, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public. We, therefore, conclude that the requests are acceptable.

Dated: December 11, 1986

December 11, 1986

ISSUANCE OF AMENDMENTS NO. 11 & 6 TO FACILITY OPERATING
LICENSES NPF-41 AND NPF-51 FOR PALO VERDE, UNITS 1 & 2

DISTRIBUTION

Docket File 50-528/529

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