

Public Service Company of New Mexico
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November 21, 2017

Certified Mail - Return Receipt Requested

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:

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 – PNM December 35 Corporation, a Delaware corporation (the "Transferor"), to Chase Manhattan Realty Leasing Corporation, a New York corporation (the "Transferee"). The Transferee has represented that it 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 Public Service Company of New Mexico ("PNM"). 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 in 1985, approved by the Commission.

Background. In 1986, PNM proposed to enter into the sale and leaseback transaction relating to PVNGS Unit 2. By letter dated August 12, 1986, the Commission issued Amendment No. 2 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 0.793333 percent undivided ownership interest in Unit 2.

Subject of this Notice. The Transferor's 0.793333 percent undivided ownership interest in Unit 2 is the subject of this notice (the "Subject Interest"). With respect to another (unrelated) equity

interest transfer in 2007, Mike Markley of the Commission Staff advised 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 from Cypress PV Partnership to the Transferor. 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 PNM 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 PNM that the parties plan to close the proposed transfer on or about December 15, 2017, and it has therefore requested that PNM 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:

- Chase Manhattan Realty Leasing Corporation balance sheet (unaudited) dated as of September 30, 2017 (attached as "Exhibit A").
- Summary about the Transferee (attached as "Exhibit B").

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

November 21, 2017

Page 3

If you have any questions, please do not hesitate to contact the undersigned at (505) 241-4941. Again, as noted above, the Transferor and the Transferee plan to close the transaction on or about December 15, 2017.

Sincerely,

A handwritten signature in black ink that reads "Madonna Bixby for". The signature is written in a cursive, slightly slanted style.

Leonard D. Sanchez
Associate General Counsel
PNM Resources, Inc.

Attachments

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)

Exhibit A

REDACTED

EXHIBIT B

About Chase Manhattan Realty Leasing Corporation

In connection with the merger of PV2 – PNM December 35 Corporation (“Palo Verde”) into its direct parent, Chase Manhattan Realty Leasing Corporation (the “Continuing Entity”), the Continuing Entity will become successor in interest to Palo Verde under the Participating Agreement dated as of December 15, 1986 (the “Participation Agreement”), among Palo Verde (successor to Chase Manhattan Realty Leasing Corporation) as Owner Participant, First PV Funding Corporation as Loan Participant, U.S. Bank National Association (successor to State Street Bank and Trust Company, successor to The First National Bank of Boston), as Owner Trustee, Chemical Bank as Indenture Trustee and Public Service Company of New Mexico as Lessee, and related agreements. The merger is being undertaken as part of an overall corporate simplification process at JPMorgan Chase & Co., the direct parent of the Continuing Entity.

The Continuing Entity meets the eligibility requirements for a “Transferee” under the Participation Agreement. Currently, the Continuing Entity is a holding company with three operating subsidiaries, including Palo Verde. All three subsidiaries will be merged into the Continuing Entity, as part of a firm-wide corporate restructuring.