



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

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

1.0 INTRODUCTION

By application dated February 14, 1986, the Arizona Public Service Company (APS) on behalf of Public Service Company of New Mexico (PNM), requested approval for PNM to sell and leaseback all or part of the remaining portion of PNM's 10.2 percent ownership interest in the Palo Verde Nuclear Generating Station, Unit 2, and a proportionate share of one-third of PNM's 10.2 percent ownership interest in the Palo Verde common facilities. In addition to information provided in the application, the licensees provided financial and other information by letters dated April 22, June 10, July 29, July 30, August 6, and August 7, 1986.

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.

- (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 leaseback of PNM's interest in the Palo Verde Unit 1 facility. The present application for license amendment seeks authorization for a similar sale and leaseback of PNM's interest in Palo Verde Unit 2. By letter of August 12, 1986, the Director of the Office of Nuclear Reactor Regulation has authorized such amendment.

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 this amendment. No comments were received.

4.0 ENVIRONMENTAL CONSIDERATIONS

This amendment only involves the administration of the credit and financial arrangements for Palo Verde Unit 2. The parties will enter into agreements which provide for the sale and leaseback of PNM's ownership share under terms requiring PNM's continued full control and responsibility over this ownership share. The lessor and anyone else who may acquire an interest under this transaction are prohibited from exercising, directly or indirectly, any control of the license. The amendment also includes 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, this amendment meets 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 this amendment will not be inimical to the common defense and security or to the health and safety of the public. We, therefore, conclude that the request is acceptable.

Dated: August 12, 1986