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AUTH. NAME AUTHOR AFFILIATION
TOY, T. M. El Paso Electric Co.
TOY, T. M. Mudge, Rose, Guthrie, Alexander & Ferden
RECIP. NAME RECIPIENT AFFILIATION
MIRAGLIA, F. J. Division of Pressurized Water Reactor Licensing - B (post 8

SUBJECT: Submits financial info supporting supplemental application in respect of sale & leaseback transactions. Closing date & equity investors/investment discussed. Chrysler, Commercial Federal, Bank of Boston & util quarterly repts encl. 5P6 Amdt 1 Info

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MUDGE ROSE GUTHRIE ALEXANDER & FERDON

2121 K STREET, N.W.
WASHINGTON, D.C. 20037
202-429-9355

SUITE 2020
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIF. 90071
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WEST PALM BEACH, FL. 33401
305-650-8100

12, RUE DE LA PAIX
75002, PARIS, FRANCE
(1) 42. 61. 57. 71

November 26, 1986

Director of Nuclear Reactor Regulation
Attention: Frank J. Miraglia, Director
Division of Pressurized Water Reactor
Licensing-B
Nuclear Regulatory Commission
Washington, D.C. 20555

Re: **Supplemental Application in Respect of Sale and Leaseback Transactions by El Paso Electric Company Dated October 15, 1986 - Palo Verde Nuclear Generating Station Unit 2**

(Docket No. STN 50-529)

Dear Mr. Miraglia:

As undertaken in the above-captioned Supplemental Application (the **Supplemental Application**), the undersigned, on behalf of El Paso Electric Company (El Paso), provides the following information:

(i) **Closing Date:** El Paso proposes to consummate two sale and leaseback transactions on or about December 18, 1986 with respect to all of the Remaining Unit 2 Interest. The proposed closing date is at least seven (7) days following December 5, 1986, the date specified for

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the expiration of the comment period in the Federal Register notice (51 F.R. 40275, November 5, 1986) relating to the Supplemental Application.

(ii) **Identity of Equity Investors:** The proposed Equity Investors are Chrysler Financial Corporation (**Chrysler**) or an affiliate thereof and Commercial Federal Corporation (**Commercial**) or an affiliate thereof, respectively. Chrysler and an affiliate of Commercial were two of the six Equity Investors which consummated sale and leaseback transactions with El Paso on August 18 and August 22, 1986 (see paragraph (i) under the caption "Background" in the Supplemental Application). The then currently available interim and annual financial statements for Chrysler and Commercial were forwarded to the Commission under cover of letter dated August 7, 1986.

(iii) **Equity Investment:** Chrysler (or an affiliate thereof) will provide an equity investment of approximately $18.05 million (20%) with respect to approximately $90.25 million of the equipment cost relating to the Remaining Unit 2 Interest. Commercial (or an affiliate thereof) will provide an equity investment of approximately $18.05 million (20%) with respect to approximately $90.25 million of the equipment cost relating to the Remaining Unit 2 Interest. The debt portion, aggregating approximately $144.4 million, will be funded with the proceeds of a public offering by El Paso of Lease Obligation Bonds, Series 1986A (the **Bonds**), which offering is scheduled to be consummated, pursuant to an Underwriting Agreement (the **Underwriting Agreement**) with Smith Barney, Harris Upham & Co. Incorporated and PaineWebber Incorporated, as representatives of the several Underwriters (the **Underwriters**), simultaneously with

the consummation of the additional sale and leaseback transactions.

Enclosed herewith for each of El Paso, Bank of Boston Corporation (parent of The First National Bank of Boston, the Owner Trustee), Chrysler and Commercial is a Quarterly Report on Form 10-Q for the quarter most recently ended. These reports include current financial statements for each such person. Enclosed also is El Paso's Registration Statement on Form S-3 containing a preliminary prospectus relating to the Bonds.

El Paso will price the Bonds, execute the Underwriting Agreement with the Underwriters of such Bonds and offer the Bonds to the public as early as December 8, 1986, and no later then December 11, 1986. Although the closings of the additional sale and leaseback transactions and the issuance of the Bonds may not occur until as late as December 18, 1986, El Paso and the Underwriters need assurance on or prior to the date of the commencement of the public offering that all conditions to such closings have been, or can reasonably be expected to be, fulfilled. Thus, by such time El Paso expects to have executed Participation Agreements with the respective Equity Investors; and El Paso will have determined that there has not been any appeal filed with respect to the Amended Order of the New Mexico Public Service Commission, issued on November 14, 1986, and that such Amended Order can be reasonably expected to become final on December 15, 1986. Furthermore, El Paso was advised, by a letter dated November 14, 1986 from the Chief Accountant of the Federal Energy Regulatory Commission, that no amendment to the Order, dated July 16, 1986, of the Federal Energy Regulatory Commission is necessary in order to authorize the issue and sale of the Bonds and the additional sale and leaseback transactions with the Equity Investors. Consistent with the foregoing objective of El Paso and the Underwriters, El Paso respectfully requests that a further amendment to Facility Operating License NPF-51 be issued as requested in the Supplemental Application on December 8, 1986 or as soon thereafter as possible but not later than December 11, 1986.

Because of the importance of the foregoing schedule to the successful concurrent closing of the sale of the Bonds and the additional sale and leaseback transactions, officers of El Paso and counsel for El Paso, have indicated a desire to meet with the Commission's staff in the event that the further amendment to the facility license cannot be issued as requested in this letter.

If I can be of further assistance, please do not hesitate to call at (212) 510-7750.

Sincerely,

Timothy Michael Toy

Timothy Michael Toy

Copies with enclosures to:

Edward S. Christenbury, Esq.
Office of Executive Legal Director
Nuclear Regulatory Commission
7735 Old Georgetown Road
Bethesda, Maryland 21930

Edwin J. Reis, Esq.
Assistant Chief Hearing Counsel
Nuclear Regulatory Commission
7735 Old Georgetown Road
Bethesda, Maryland 21930

Mr. James C. Peterson
Nuclear Regulatory Commission
Air Rights III Building
4550 Montgomery Avenue
Bethesda, Maryland 20814

Richard J. Goddard, Esq.
Office of Executive Legal Director
Nuclear Regulatory Commission
7735 Old Georgetown Road
Bethesda, Maryland 21930

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Dane George, Esq.
Kemp, Smith, Duncan & Hammond
2000 MBank Plaza
El Paso, Texas 79901

Arthur C. Gehr, Esq.
Snell & Wilmer
3100 Valley Bank Center
Phoenix, Arizona 85073

Mr. B.E. Bostic*
Executive Vice President
El Paso Electric Company
303 North Oregon Street
El Paso, Texas 79901

Mr. W.J. Johnson*
Vice President and Controller
El Paso Electric Company
303 North Oregon Street
El Paso, Texas 79901

*W/o enclosures

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