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AUTH. NAME AUTHOR AFFILIATION
MOORE, C. L. Kelehar & McLeod
RECIP. NAME RECIPIENT AFFILIATION
MIRAGLIA, F. J. Division of Pressurized Water Reactor Licensing - B (post 8

SUBJECT: Notifies Commission of First Chicago Lease Holdings, Inc, proposed transfer of interest in sale & leaseback transaction to Palo Verde Leasing Corp. Transfer will be implemented per 860812 participation agreement.

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JOHN B. TITTMANN
OF COUNSEL

TELEPHONE 842-6262
AREA CODE 505

January 27, 1987

VIA FEDERAL EXPRESS

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

Re: Sale and Leaseback Transaction by
Public Service Company of New Mexico -
NRC Docket No. STN 50-529

Gentlemen:

By letter dated July 29, 1986 to the Director of Nuclear Reactor Regulation, Mudge Rose Guthrie Alexander & Ferdon, on behalf of Public Service Company of New Mexico ("PNM"), identified certain prospective Equity Investors with respect to sale and leaseback transactions proposed by PNM in the above docket. One of such Equity Investors was identified to be a direct or indirect subsidiary or affiliate of First Chicago Corp. As previously reported to the Commission, transactions were subsequently closed with a number of Equity Investors, including First Chicago Lease Holdings, Inc. as the affiliate of First Chicago Corp. Transaction documents reflecting the August 18, 1986 closings of sale and leaseback transactions, including the transaction involving First Chicago Lease Holdings, Inc., were filed with my letter to you dated September 4, 1986.

First Chicago Lease Holdings, Inc. is now proposing to transfer its interest in its sale and leaseback transaction to its wholly-owned subsidiary, Palo Verde Leasing Corporation. First Chicago Lease Holdings, Inc. proposes to make the transfer in a manner which is specifically permitted under the Participation Agreement dated as of August 12, 1986, a copy of which was filed with the Commission. Also, it should be noted that the transferee, Palo Verde Leasing Corporation, would fall within the description of the Equity Investor contained in the

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above-referenced July 29, 1986 letter, that is, it would also be a direct or indirect subsidiary or affiliate of First Chicago Corp. The First National Bank of Boston would remain the Owner Trustee for the transaction.

The purpose of this letter is to notify the Commission, as a matter of courtesy, of the above proposed transfer. First Chicago Lease Holdings, Inc. proposes to complete the transfer by the end of January.

If you have any questions, please do not hesitate to call.

Yours very truly,

KELEHER & McLEOD, P.A.

By Charles L. Moore
Charles L. Moore

CLM/mu

cc: Edward S. Christenbury, Esq.
Edwin J. Reis, Esq.
Mr. George W. Knighton
Arthur C. Gehr, Esq.
Timothy M. Toy, Esq.
Mr. A. J. Robison

as of January 30, 1987

First PV Funding Corporation
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
Attention: President

The First National Bank of Boston,
as Owner Trustee
100 Federal Street
Boston, Massachusetts 02110
Attention: Corporate Trust Division

Chemical Bank,
as Indenture Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Chemical Bank,
as Collateral Trust Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Public Service Company of New Mexico
Alvarado Square
Albuquerque, New Mexico 87158
Attention: Secretary

Dear Ladies and Gentlemen:

We refer to that certain Participation Agreement, as amended through the date hereof, (the "Participation Agreement") dated as of August 12, 1986 among First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

This is to inform each of you in accordance with Section 15(b) of the Participation Agreement that as of the date hereof the Original Owner Participant transferred to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee"),

all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate by delivering to the Transferee a Bill of Sale and Assignment (copy attached hereto) dated as of the date hereof.

The transfer referred to above complies with Section 15 of the Participation Agreement because (1) the Transferee has in accordance with Section 15(a)(i) of the Participation Agreement executed and herewith delivers to each of you the Instrument of Assumption attached hereto pursuant to which the Transferee confirms that it shall be bound by the terms of the Participation Agreement and each other Transaction Document, (2) the Transferee is a direct wholly-owned subsidiary of the Original Owner Participant (see Section 15(a)(ii)(B)(1) of the Participation Agreement), and (3) the transfer referred to above does not violate the Securities Act or any provision of, or create a relationship which would be in violation of, any Applicable Law or agreement to which the Original Owner Participant or the Transferee is a party or by which its property is bound.

The name and address for notices to the Transferee under the Transaction Documents shall be as follows:

Palo Verde Leasing Corporation
Suite 0502
One First National Plaza
Chicago, Illinois 60670
Attention: President

Until otherwise notified by the Transferee, all payments to be made hereafter by the Indenture Trustee to the "Owner Participant" under the Indenture shall be made by wire transfer of immediately available funds to the Transferee's account No. 53-06086 with the The First National Bank of Chicago.

Please acknowledge receipt of a copy of this letter and the Instrument of Assumption attached hereto by signing and returning to the Original Owner Participant a copy of this letter and thereby also confirm that, as a result of the transfer referred to above and in accordance with Section 15(a) of the Participation Agreement, the Original Owner Participant has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

By its execution of this letter and in accordance with Section 2.01 of the Trust Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, hereby requests and instructs the Owner Trustee to execute and deliver the

acknowledgement and confirmation set forth at the end of this letter.

This letter and the acknowledgements hereto may be executed in any number of counterparts, all of which taken together shall constitute one letter agreement, and any of the parties hereto may execute this letter by signing any such counterpart.

Very truly yours,

FIRST CHICAGO LEASE HOLDINGS, INC.

By: Thomas C. Malia
Vice President

PALO VERDE LEASING CORPORATION

By: William P. Kusack Jr
Vice President

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto and (ii) confirms that, as a result of the transfer referred to in the foregoing letter and in accordance with Section 15(a) of the Participation Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: L T Robinson

Title: SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

THE FIRST NATIONAL BANK OF BOSTON,
as Owner Trustee

By: _____

Title: _____

FIRST PV FUNDING CORPORATION

By: _____

Title: _____

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto.

CHEMICAL BANK,
as Indenture Trustee

By: _____

Title: _____

CHEMICAL BANK,
as Collateral Trust Trustee

By: _____

Title: _____

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT, dated as of January 30, 1987, from First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, the Original Owner Participant desires to transfer to the Transferee and the Transferee desires to acquire the Assigned Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For purposes hereof, capitalized terms used herein shall have the meanings assigned to such terms in Appendix A to that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986 among the Original Owner Participant, First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation.

ARTICLE II
ASSIGNMENT OF TRUST ESTATE

The Original Owner Participant does hereby grant, bargain, convey, sell, assign, transfer and set over to the Transferee, without recourse, representation or warranty, express and implied, of any nature whatsoever (except as set forth in the next succeeding sentence), all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate (the "Assigned Property"). The Original Owner Participant hereby represents and warrants to the Transferee that the Original Owner Participant has good and valid title to the Assigned Property free and clear of all Owner Participant's Liens.

ARTICLE III
EFFECTIVENESS OF TRANSFER

The transfer of the Assigned Property shall become effective without further action upon the execution and delivery by the Original Owner Participant to the Transferee of this Bill of Sale and Assignment and the furnishing of a counterpart of this Bill of Sale and Assignment to the Owner Trustee.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Successors and Assigns. This Bill of Sale and Assignment shall be binding upon the Original Owner Participant and its successors and shall inure to the benefit of the Transferee and its successors and assigns.

Section 4.2. Governing Law. This Bill of Sale and Assignment shall be governed by and construed and enforced in accordance with the law of the State of New York.

Section 4.3. Headings. The division of this Bill of Sale and Assignment into sections, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Bill of Sale and Assignment.

IN WITNESS WHEREOF, the Original Owner Participant has caused this Bill of Sale and Assignment to be duly executed as of the day and year written above.

FIRST CHICAGO LEASE HOLDINGS, INC.

By: _____
Vice President

INSTRUMENT OF ASSUMPTION

THIS INSTRUMENT OF ASSUMPTION dated as of January 30, 1987 is executed and delivered by Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation, entered into that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986; and

WHEREAS, the Original Owner Participant is simultaneously with the execution and delivery of this Instrument of Assumption transferring to the Transferee all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document (as defined in the Participation Agreement) and the Trust Estate (as defined in the Participation Agreement); and

WHEREAS, it is a condition of the transfer referred to above that the Transferee assume all of the obligations of the Original Owner Participant under the Transaction Documents (as defined in the Participation Agreement) by executing and delivering this Instrument of Assumption;

NOW THEREFORE, in consideration of the premises and the transfer referred to above, the Transferee hereby agrees as follows:

1. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

2. The Transferee hereby assumes, and promises to fully and punctually perform and observe, and agrees that it shall be bound by, each and every term, condition, agreement, covenant and/or undertaking of the Original Owner Participant under or with respect to the Participation Agreement and each other Transaction Document as if it had been originally named as the Owner Participant under the Participation Agreement and the other Transaction Documents.

3. This Instrument of Assumption shall be governed by, and be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Transferee has caused this Instrument of Assumption to be duly executed as of the date first above written.

PALO VERDE LEASING CORPORATION

By: William P. Kusack Jr.
Vice President

as of January 30, 1987

First PV Funding Corporation
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
Attention: President

The First National Bank of Boston,
as Owner Trustee
100 Federal Street
Boston, Massachusetts 02110
Attention: Corporate Trust Division

Chemical Bank,
as Indenture Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Chemical Bank,
as Collateral Trust Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Public Service Company of New Mexico
Alvarado Square
Albuquerque, New Mexico 87158
Attention: Secretary

Dear Ladies and Gentlemen:

We refer to that certain Participation Agreement, as amended through the date hereof, (the "Participation Agreement") dated as of August 12, 1986 among First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

This is to inform each of you in accordance with Section 15(b) of the Participation Agreement that as of the date hereof the Original Owner Participant transferred to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee"),

all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate by delivering to the Transferee a Bill of Sale and Assignment (copy attached hereto) dated as of the date hereof.

The transfer referred to above complies with Section 15 of the Participation Agreement because (1) the Transferee has in accordance with Section 15(a)(i) of the Participation Agreement executed and herewith delivers to each of you the Instrument of Assumption attached hereto pursuant to which the Transferee confirms that it shall be bound by the terms of the Participation Agreement and each other Transaction Document, (2) the Transferee is a direct wholly-owned subsidiary of the Original Owner Participant (see Section 15(a)(ii)(B)(1) of the Participation Agreement), and (3) the transfer referred to above does not violate the Securities Act or any provision of, or create a relationship which would be in violation of, any Applicable Law or agreement to which the Original Owner Participant or the Transferee is a party or by which its property is bound.

The name and address for notices to the Transferee under the Transaction Documents shall be as follows:

Palo Verde Leasing Corporation
Suite 0502
One First National Plaza
Chicago, Illinois 60670
Attention: President

Until otherwise notified by the Transferee, all payments to be made hereafter by the Indenture Trustee to the "Owner Participant" under the Indenture shall be made by wire transfer of immediately available funds to the Transferee's account No. 53-06086 with the The First National Bank of Chicago.

Please acknowledge receipt of a copy of this letter and the Instrument of Assumption attached hereto by signing and returning to the Original Owner Participant a copy of this letter and thereby also confirm that, as a result of the transfer referred to above and in accordance with Section 15(a) of the Participation Agreement, the Original Owner Participant has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

By its execution of this letter and in accordance with Section 2.01 of the Trust Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, hereby requests and instructs the Owner Trustee to execute and deliver the

acknowledgement and confirmation set forth at the end of this letter.

This letter and the acknowledgements hereto may be executed in any number of counterparts, all of which taken together shall constitute one letter agreement, and any of the parties hereto may execute this letter by signing any such counterpart.

Very truly yours,

FIRST CHICAGO LEASE HOLDINGS, INC.

By: _____
Vice President

PALO VERDE LEASING CORPORATION

By: _____
Vice President

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto and (ii) confirms that, as a result of the transfer referred to in the foregoing letter and in accordance with Section 15(a) of the Participation Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

THE FIRST NATIONAL BANK OF BOSTON,
as Owner Trustee

By: _____

Title: Assistant Vice President

FIRST PV FUNDING CORPORATION

By: _____

Title: _____

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto.

CHEMICAL BANK,
as Indenture Trustee

By: _____

Title: _____

CHEMICAL BANK,
as Collateral Trust Trustee

By: _____

Title: _____

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT, dated as of January 30, 1987, from First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, the Original Owner Participant desires to transfer to the Transferee and the Transferee desires to acquire the Assigned Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For purposes hereof, capitalized terms used herein shall have the meanings assigned to such terms in Appendix A to that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986 among the Original Owner Participant, First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation.

ARTICLE II
ASSIGNMENT OF TRUST ESTATE

The Original Owner Participant does hereby grant, bargain, convey, sell, assign, transfer and set over to the Transferee, without recourse, representation or warranty, express and implied, of any nature whatsoever (except as set forth in the next succeeding sentence), all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate (the "Assigned Property"). The Original Owner Participant hereby represents and warrants to the Transferee that the Original Owner Participant has good and valid title to the Assigned Property free and clear of all Owner Participant's Liens.

ARTICLE III
EFFECTIVENESS OF TRANSFER

The transfer of the Assigned Property shall become effective without further action upon the execution and delivery by the Original Owner Participant to the Transferee of this Bill of Sale and Assignment and the furnishing of a counterpart of this Bill of Sale and Assignment to the Owner Trustee.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Successors and Assigns. This Bill of Sale and Assignment shall be binding upon the Original Owner Participant and its successors and shall inure to the benefit of the Transferee and its successors and assigns.

Section 4.2. Governing Law. This Bill of Sale and Assignment shall be governed by and construed and enforced in accordance with the law of the State of New York.

Section 4.3. Headings. The division of this Bill of Sale and Assignment into sections, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Bill of Sale and Assignment.

IN WITNESS WHEREOF, the Original Owner Participant has caused this Bill of Sale and Assignment to be duly executed as of the day and year written above.

FIRST CHICAGO LEASE HOLDINGS, INC.

By: _____
Vice President

INSTRUMENT OF ASSUMPTION

THIS INSTRUMENT OF ASSUMPTION dated as of January 30, 1987 is executed and delivered by Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation, entered into that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986; and

WHEREAS, the Original Owner Participant is simultaneously with the execution and delivery of this Instrument of Assumption transferring to the Transferee all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document (as defined in the Participation Agreement) and the Trust Estate (as defined in the Participation Agreement); and

WHEREAS, it is a condition of the transfer referred to above that the Transferee assume all of the obligations of the Original Owner Participant under the Transaction Documents (as defined in the Participation Agreement) by executing and delivering this Instrument of Assumption;

NOW THEREFORE, in consideration of the premises and the transfer referred to above, the Transferee hereby agrees as follows:

1. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

2. The Transferee hereby assumes, and promises to fully and punctually perform and observe, and agrees that it shall be bound by, each and every term, condition, agreement, covenant and/or undertaking of the Original Owner Participant under or with respect to the Participation Agreement and each other Transaction Document as if it had been originally named as the Owner Participant under the Participation Agreement and the other Transaction Documents.

3. This Instrument of Assumption shall be governed by, and be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Transferee has caused this Instrument of Assumption to be duly executed as of the date first above written.

PALO VERDE LEASING CORPORATION

By: William P. Kurach

Vice President

as of January 30, 1987

First PV Funding Corporation
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
Attention: President

The First National Bank of Boston,
as Owner Trustee
100 Federal Street
Boston, Massachusetts 02110
Attention: Corporate Trust Division

Chemical Bank,
as Indenture Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Chemical Bank,
as Collateral Trust Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Public Service Company of New Mexico
Alvarado Square
Albuquerque, New Mexico 87158
Attention: Secretary

Dear Ladies and Gentlemen:

We refer to that certain Participation Agreement, as amended through the date hereof, (the "Participation Agreement") dated as of August 12, 1986 among First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

This is to inform each of you in accordance with Section 15(b) of the Participation Agreement that as of the date hereof the Original Owner Participant transferred to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee"),

all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate by delivering to the Transferee a Bill of Sale and Assignment (copy attached hereto) dated as of the date hereof.

The transfer referred to above complies with Section 15 of the Participation Agreement because (1) the Transferee has in accordance with Section 15(a)(i) of the Participation Agreement executed and herewith delivers to each of you the Instrument of Assumption attached hereto pursuant to which the Transferee confirms that it shall be bound by the terms of the Participation Agreement and each other Transaction Document, (2) the Transferee is a direct wholly-owned subsidiary of the Original Owner Participant (see Section 15(a)(ii)(B)(1) of the Participation Agreement), and (3) the transfer referred to above does not violate the Securities Act or any provision of, or create a relationship which would be in violation of, any Applicable Law or agreement to which the Original Owner Participant or the Transferee is a party or by which its property is bound.

The name and address for notices to the Transferee under the Transaction Documents shall be as follows:

Palo Verde Leasing Corporation
Suite 0502
One First National Plaza
Chicago, Illinois 60670
Attention: President

Until otherwise notified by the Transferee, all payments to be made hereafter by the Indenture Trustee to the "Owner Participant" under the Indenture shall be made by wire transfer of immediately available funds to the Transferee's account No. 53-06086 with the The First National Bank of Chicago.

Please acknowledge receipt of a copy of this letter and the Instrument of Assumption attached hereto by signing and returning to the Original Owner Participant a copy of this letter and thereby also confirm that, as a result of the transfer referred to above and in accordance with Section 15(a) of the Participation Agreement, the Original Owner Participant has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

By its execution of this letter and in accordance with Section 2.01 of the Trust Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, hereby requests and instructs the Owner Trustee to execute and deliver the

acknowledgement and confirmation set forth at the end of this letter.

This letter and the acknowledgements hereto may be executed in any number of counterparts, all of which taken together shall constitute one letter agreement, and any of the parties hereto may execute this letter by signing any such counterpart.

Very truly yours,

FIRST CHICAGO LEASE HOLDINGS, INC.

By: Thomas C. Melia
Vice President

PALO VERDE LEASING CORPORATION

By: William P. Kusach Jr.
Vice President

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto and (ii) confirms that, as a result of the transfer referred to in the foregoing letter and in accordance with Section 15(a) of the Participation Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

THE FIRST NATIONAL BANK OF BOSTON,
as Owner Trustee

By: _____

Title: _____

FIRST PV FUNDING CORPORATION

By: J. B. Barbera

Title: President

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto.

CHEMICAL BANK,
as Indenture Trustee

By: _____

Title: _____

CHEMICAL BANK,
as Collateral Trust Trustee

By: _____

Title: _____

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT, dated as of January 30, 1987, from First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, the Original Owner Participant desires to transfer to the Transferee and the Transferee desires to acquire the Assigned Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For purposes hereof, capitalized terms used herein shall have the meanings assigned to such terms in Appendix A to that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986 among the Original Owner Participant, First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation.

ARTICLE II
ASSIGNMENT OF TRUST ESTATE

The Original Owner Participant does hereby grant, bargain, convey, sell, assign, transfer and set over to the Transferee, without recourse, representation or warranty, express and implied, of any nature whatsoever (except as set forth in the next succeeding sentence), all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate (the "Assigned Property"). The Original Owner Participant hereby represents and warrants to the Transferee that the Original Owner Participant has good and valid title to the Assigned Property free and clear of all Owner Participant's Liens.

ARTICLE III
EFFECTIVENESS OF TRANSFER

The transfer of the Assigned Property shall become effective without further action upon the execution and delivery by the Original Owner Participant to the Transferee of this Bill of Sale and Assignment and the furnishing of a counterpart of this Bill of Sale and Assignment to the Owner Trustee.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Successors and Assigns. This Bill of Sale and Assignment shall be binding upon the Original Owner Participant and its successors and shall inure to the benefit of the Transferee and its successors and assigns.

Section 4.2. Governing Law. This Bill of Sale and Assignment shall be governed by and construed and enforced in accordance with the law of the State of New York.

Section 4.3. Headings. The division of this Bill of Sale and Assignment into sections, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Bill of Sale and Assignment.

IN WITNESS WHEREOF, the Original Owner Participant has caused this Bill of Sale and Assignment to be duly executed as of the day and year written above.

FIRST CHICAGO LEASE HOLDINGS, INC.

By: _____
Vice President

INSTRUMENT OF ASSUMPTION

THIS INSTRUMENT OF ASSUMPTION dated as of January 30, 1987 is executed and delivered by Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation, entered into that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986; and

WHEREAS, the Original Owner Participant is simultaneously with the execution and delivery of this Instrument of Assumption transferring to the Transferee all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document (as defined in the Participation Agreement) and the Trust Estate (as defined in the Participation Agreement); and

WHEREAS, it is a condition of the transfer referred to above that the Transferee assume all of the obligations of the Original Owner Participant under the Transaction Documents (as defined in the Participation Agreement) by executing and delivering this Instrument of Assumption;

NOW THEREFORE, in consideration of the premises and the transfer referred to above, the Transferee hereby agrees as follows:

1. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

2. The Transferee hereby assumes, and promises to fully and punctually perform and observe, and agrees that it shall be bound by, each and every term, condition, agreement, covenant and/or undertaking of the Original Owner Participant under or with respect to the Participation Agreement and each other Transaction Document as if it had been originally named as the Owner Participant under the Participation Agreement and the other Transaction Documents.

3. This Instrument of Assumption shall be governed by, and be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Transferee has caused this Instrument of Assumption to be duly executed as of the date first above written.

PALO VERDE LEASING CORPORATION

By: William P. Kusach

Vice President

as of January 30, 1987

First PV Funding Corporation
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
Attention: President

The First National Bank of Boston,
as Owner Trustee
100 Federal Street
Boston, Massachusetts 02110
Attention: Corporate Trust Division

Chemical Bank,
as Indenture Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Chemical Bank,
as Collateral Trust Trustee
55 Water Street
New York, New York 10041
Attention: Corporate Trustee Administration

Public Service Company of New Mexico
Alvarado Square
Albuquerque, New Mexico 87158
Attention: Secretary

Dear Ladies and Gentlemen:

We refer to that certain Participation Agreement, as amended through the date hereof, (the "Participation Agreement") dated as of August 12, 1986 among First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

This is to inform each of you in accordance with Section 15(b) of the Participation Agreement that as of the date hereof the Original Owner Participant transferred to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee"),

all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate by delivering to the Transferee a Bill of Sale and Assignment (copy attached hereto) dated as of the date hereof.

The transfer referred to above complies with Section 15 of the Participation Agreement because (1) the Transferee has in accordance with Section 15(a)(i) of the Participation Agreement executed and herewith delivers to each of you the Instrument of Assumption attached hereto pursuant to which the Transferee confirms that it shall be bound by the terms of the Participation Agreement and each other Transaction Document, (2) the Transferee is a direct wholly-owned subsidiary of the Original Owner Participant (see Section 15(a)(ii)(B)(1) of the Participation Agreement), and (3) the transfer referred to above does not violate the Securities Act or any provision of, or create a relationship which would be in violation of, any Applicable Law or agreement to which the Original Owner Participant or the Transferee is a party or by which its property is bound.

The name and address for notices to the Transferee under the Transaction Documents shall be as follows:

Palo Verde Leasing Corporation
Suite 0502
One First National Plaza
Chicago, Illinois 60670
Attention: President

Until otherwise notified by the Transferee, all payments to be made hereafter by the Indenture Trustee to the "Owner Participant" under the Indenture shall be made by wire transfer of immediately available funds to the Transferee's account No. 53-06086 with the The First National Bank of Chicago.

Please acknowledge receipt of a copy of this letter and the Instrument of Assumption attached hereto by signing and returning to the Original Owner Participant a copy of this letter and thereby also confirm that, as a result of the transfer referred to above and in accordance with Section 15(a) of the Participation Agreement, the Original Owner Participant has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

By its execution of this letter and in accordance with Section 2.01 of the Trust Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, hereby requests and instructs the Owner Trustee to execute and deliver the

acknowledgement and confirmation set forth at the end of this letter.

This letter and the acknowledgements hereto may be executed in any number of counterparts, all of which taken together shall constitute one letter agreement, and any of the parties hereto may execute this letter by signing any such counterpart.

Very truly yours,

FIRST CHICAGO LEASE HOLDINGS, INC.

By: Thomas C. Molie
Vice President

PALO VERDE LEASING CORPORATION

By: William P. Kusack Jr
Vice President

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto and (ii) confirms that, as a result of the transfer referred to in the foregoing letter and in accordance with Section 15(a) of the Participation Agreement, First Chicago Lease Holdings, Inc., a Delaware corporation, has been released from all of its obligations under the Participation Agreement and the other Transaction Documents (including, without limitation, the Trust Agreement) to the extent of the interest transferred.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____

Title: _____

THE FIRST NATIONAL BANK OF BOSTON,
as Owner Trustee

By: _____

Title: _____

FIRST PV FUNDING CORPORATION

By: _____

Title: _____

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing letter and the Instrument of Assumption attached thereto.

CHEMICAL BANK,
as Indenture Trustee

By: _____

Title: VICE PRESIDENT

CHEMICAL BANK,
as Collateral Trust Trustee

By: _____

Title: VICE PRESIDENT

BILL OF SALE AND ASSIGNMENT

BILL OF SALE AND ASSIGNMENT, dated as of January 30, 1987, from First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), to Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, the Original Owner Participant desires to transfer to the Transferee and the Transferee desires to acquire the Assigned Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For purposes hereof, capitalized terms used herein shall have the meanings assigned to such terms in Appendix A to that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986 among the Original Owner Participant, First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation.

ARTICLE II
ASSIGNMENT OF TRUST ESTATE

The Original Owner Participant does hereby grant, bargain, convey, sell, assign, transfer and set over to the Transferee, without recourse, representation or warranty, express and implied, of any nature whatsoever (except as set forth in the next succeeding sentence), all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document and the Trust Estate (the "Assigned Property"). The Original Owner Participant hereby represents and warrants to the Transferee that the Original Owner Participant has good and valid title to the Assigned Property free and clear of all Owner Participant's Liens.

ARTICLE III
EFFECTIVENESS OF TRANSFER

The transfer of the Assigned Property shall become effective without further action upon the execution and delivery by the Original Owner Participant to the Transferee of this Bill of Sale and Assignment and the furnishing of a counterpart of this Bill of Sale and Assignment to the Owner Trustee.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Successors and Assigns. This Bill of Sale and Assignment shall be binding upon the Original Owner Participant and its successors and shall inure to the benefit of the Transferee and its successors and assigns.

Section 4.2. Governing Law. This Bill of Sale and Assignment shall be governed by and construed and enforced in accordance with the law of the State of New York.

Section 4.3. Headings. The division of this Bill of Sale and Assignment into sections, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Bill of Sale and Assignment.

IN WITNESS WHEREOF, the Original Owner Participant has caused this Bill of Sale and Assignment to be duly executed as of the day and year written above.

FIRST CHICAGO LEASE HOLDINGS, INC.

By: _____
Vice President

INSTRUMENT OF ASSUMPTION

THIS INSTRUMENT OF ASSUMPTION dated as of January 30, 1987 is executed and delivered by Palo Verde Leasing Corporation, a Delaware corporation (the "Transferee").

WHEREAS, First Chicago Lease Holdings, Inc., a Delaware corporation (the "Original Owner Participant"), First PV Funding Corporation, a Delaware corporation, The First National Bank of Boston, a national banking association, as Owner Trustee, Chemical Bank, a New York banking corporation, as Indenture Trustee, and Public Service Company of New Mexico, a New Mexico corporation, entered into that certain Participation Agreement (the "Participation Agreement") dated as of August 12, 1986; and

WHEREAS, the Original Owner Participant is simultaneously with the execution and delivery of this Instrument of Assumption transferring to the Transferee all of the Original Owner Participant's right, title and interest in and to the Participation Agreement, each and every other Transaction Document (as defined in the Participation Agreement) and the Trust Estate (as defined in the Participation Agreement); and

WHEREAS, it is a condition of the transfer referred to above that the Transferee assume all of the obligations of the Original Owner Participant under the Transaction Documents (as defined in the Participation Agreement) by executing and delivering this Instrument of Assumption;

NOW THEREFORE, in consideration of the premises and the transfer referred to above, the Transferee hereby agrees as follows:

1. Unless otherwise defined herein, all terms used herein which are defined in Appendix A to the Participation Agreement shall have the meanings assigned to them therein.

2. The Transferee hereby assumes, and promises to fully and punctually perform and observe, and agrees that it shall be bound by, each and every term, condition, agreement, covenant and/or undertaking of the Original Owner Participant under or with respect to the Participation Agreement and each other Transaction Document as if it had been originally named as the Owner Participant under the Participation Agreement and the other Transaction Documents.

3. This Instrument of Assumption shall be governed by, and be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Transferee has caused this Instrument of Assumption to be duly executed as of the date first above written.

PALO VERDE LEASING CORPORATION

By: William P. Kusack Jr.
Vice President