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 QUINTANA, R. L. Kelehar & McLeod  
 RECIP. NAME RECIPIENT AFFILIATION  
 MIRAOLIA, F. J. Division of Pressurized Water Reactor Licensing - B (post 8)

SUBJECT: Informs that addl amend to 851231 facility leases currently anticipated based on listed reasons re facility sale & leaseback transactions. Changes include slight reduction in rent & addition of addl default remedy.

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KELEHER & McLEOD, P. A.

ATTORNEYS AND COUNSELORS AT LAW

PUBLIC SERVICE BUILDING

P. O. DRAWER AA

ALBUQUERQUE, NEW MEXICO 87103

RUSSELL MOORE  
WILLIAM B. KELEHER  
MICHAEL L. KELEHER  
PATRICK W. HURLEY  
CHARLES A. PHARRIS  
RICHARD B. COLE  
ARTHUR D. BEACH  
JOHN M. KULIKOWSKI  
THOMAS F. KELEHER  
PETER H. JOHNSTONE  
HENRY F. NARVAZ  
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THOMAS J. ZIMBRICK  
JONATHAN M. DUKE  
THOMAS F. BLUEHER  
LYNDA LATTA  
DOUGLAS E. BRYAN

W. A. KELEHER

1886-1972

A. H. McLEOD

1902-1976

JOHN B. TITTMANN  
OF COUNSEL

TELEPHONE 842-6262

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VIA FEDERAL EXPRESS

March 30, 1987

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 Financing Transactions  
by Public Service Company of New Mexico -  
NRC Docket Nos. STN 50-528 and STN 50-529

Gentlemen:

This letter is being written in compliance with paragraph 2.B(6) of License No. NPF-41, which paragraph was added by Amendment No. 3 issued on December 26, 1985 and was amended by Amendment No. 6 issued on June 2, 1986, and by Amendment No. 11 issued on December 11, 1986. Pursuant to such paragraph 2.B(6) the licensees are required to notify the NRC in writing prior to any change in "the terms or conditions of any lease agreements executed as part of this transaction". As previously reported, three lease transactions relating to PVNGS Unit 1 were closed on December 31, 1985. Amendment No. 1 to the December 31, 1985 Facility Leases (the "December Facility Leases") was reported to the Commission by letter from Charles L. Moore of this firm dated July 14, 1986. Amendment No. 2 to the December Facility Leases was reported to the Commission by letter from Mr. Moore of this firm dated November 20, 1986.

The purpose of this letter is to report that it is currently anticipated that there will be an additional amendment to the December Facility Leases ("Amendment No. 3"). The purpose of Amendment No. 3 is to accomplish the following:

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- Effect a slight reduction in rent. In November 1986, when the December Facility Leases were most recently amended, the Basic Rent percentage included rent with respect to an investment in the Palo Verde real estate, which rent was duplicative of rent already provided for in Section 21 of each of the Facility Leases.
- To include in Section 16 of the December Facility Leases an additional remedy for a lessee default. The remedy is to conform the December Facility Leases in this regard to the Facility Lease consummated on August 1, 1986, with respect to an undivided interest in Palo Verde Unit 1 (a copy of which was submitted to the Commission under cover of a letter from Mr. Moore of this firm dated August 6, 1986.) In connection with such additional remedy, certain minor technical and conforming amendments will be required in Section 16.
- In the case of the December Facility Leases in respect of which MFS Leasing Corp. ("MFS") and Burnham Leasing Corporation ("Burnham") are the owner participants, the definitions of "Final Shutdown" and "Event of Loss" are being amended to conform to similar definitions set forth in Facility Leases relating to Unit 2 in respect of which MFS and Burnham are also the owner participants (copies of which Unit 2 Facility Leases were submitted to the Commission under cover of a letter from Mr. Moore of this firm dated September 4, 1986).
- In the case of the December Facility Lease in respect of which Chrysler Financial Corporation is the owner participant, the definitions of "Final Shutdown" and "Event of Loss" are being

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amended to add thereto certain events constituting events of "Final Shutdown" and "Events of Loss" under (i) the August 1, 1986 Facility Lease referred to above and (ii) the Unit 2 Facility Leases referred to above.

- Amendment No. 3 may amend the definition of "Undivided Interest Percentage" to expressly set forth the applicable percentages for the respective interests in Unit 1 and in common facilities.

Consistent with previous practice, assuming execution as presently contemplated, we plan to file the amendments with the NRC after execution.

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

Yours very truly,

KELEHER & McLEOD, P.A.

By 

Rikki L. Quintana

CLM/mu

cc: Edwin J. Reis, Esq. (Federal Express)  
Mr. George W. Knighton (Federal Express)  
Arthur C. Gehr, Esq. (Federal Express)  
Timothy M. Toy, Esq. (Federal Express)  
Mr. A. J. Robison

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