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**ORIGINAL**

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Decision \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company for an Order Authorizing Amendments to the Terms and Conditions of a Nuclear Fuel Lease.	)	Application 83-06-56 (Filed June 27, 1983; amended July 11, 1983)
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O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority, under Public Utilities (PU) Code Section 701, to amend the terms of its existing nuclear fuel leasing and financing arrangements as previously authorized in Decision (D.)82-02-090, as amended by D.82-03-068 dated February 17, 1982 and March 16, 1982, respectively, in Application (A.)61075 and in D.90379 dated June 5, 1979 in A.58778.

In the current application, as amended, SDG&E requests authority for the following:

1. To continue to lease nuclear fuel under an amended and restated Fuel Lease;
2. To consent to the execution, by the nuclear fuel lessor of a new Credit Agreement with the banks (named in the agreement) to increase the credit limit to not more than \$150,000,000; and

3. To modify, or consent, to the modification of the Fuel Lease, Credit Agreement, and related documents to substitute, and/or add, one or more new banks, or financial institutions, in place of, or in addition to, either or both of the two banks currently named in the Credit Agreement, provided that the credit limit under the Credit Agreement shall not exceed \$150,000,000.

As described in the application, SDG&E anticipates no substantial changes from the leasing and financing arrangements reviewed and authorized by the Commission in D.82-02-090 (as corrected by D.82-03-068) and D.90379. The basic changes currently contemplated by SDG&E involve an amended and restated Fuel Lease and development of a new Credit Agreement now involving two banks. All parties to the Fuel Lease and Credit Agreement reviewed in D.82-02-090 and D.90379 are expected to remain the same, with the possible exception that other banks may be added to, or substituted for, the banks now named in the Credit Agreement.

#### Summary of Decision

This decision grants SDG&E the authority to continue to lease nuclear fuel under the Fuel Lease shown as Exhibit A to the application, and to consent to the new Credit Agreement shown as Exhibit B to the application.

The Commission also grants SDG&E authority to modify or consent to, the modification of the Fuel Lease, the Credit Agreement, and associated documents to substitute, or add, one or more

new banks, or financial institutions, in place of, or in addition to, either or both of the two banks currently named in the Credit Agreement, provided that the credit limit under the Credit Agreement shall not exceed \$150,000,000.

Notice of the filing of the application appeared on the Commission's daily calendars of June 29 and July 11, 1983. No protests have been received.

SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission. SDG&E provides electric, gas, and steam service in portions of San Diego County and electric service in portions of Orange County.

In its Statement of Income and Retained Earnings for calendar year 1982, SDG&E reported it generated total operating revenues of \$1,430,948,322 and net income of \$157,302,981 shown as part of Exhibit A to A.83-03-32. For the three months ended March 31, 1983, SDG&E reports it generated operating revenues of \$396,136,758 and net income of \$48,011,602 shown as part of Exhibit C attached to the application.

Also shown as part of Exhibit C is SDG&E's Balance Sheet dated as of March 31, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$2,127,022,600
Other Property and Investments	34,843,315
Current and Accrued Assets	296,203,983
Deferred Debits	<u>34,839,328</u>
Total	\$2,492,909,226
<u>Liabilities and Equity</u>	
Common Equity	\$ 841,842,937
Preferred/Preference Stock	269,000,000
Long-Term Debt	801,651,424
Current and Accrued Liabilities	434,076,609
Deferred Credits and Reserves	<u>146,338,256</u>
Total	\$2,492,909,226

As of March 31, 1983, SDG&E had outstanding short-term obligations totaling \$242,125,456. This total consisted of commercial paper and bank loans in the amount of \$152,000,000; \$64,000,000 of bankers' acceptances (used to finance fuel oil); \$24,125,456 covering the current portion of long-term debt payable within twelve months; and \$2,000,000 in sinking fund requirements for preferred stock.

Prior Commission Authorizations

The Commission first exercised jurisdiction over SDG&E's nuclear fuel leasing transactions in D.90379 dated June 5, 1979 in A.58778. Jurisdiction was exercised by the Commission

under PU Code Section 701. The Commission had previously disclaimed jurisdiction over nuclear fuel leasing transactions on the grounds that there was no commitment by the utility-lessee as a guarantor or issuer of indebtedness under PU Code Sections 816 through 818, 830, or 851 as stated in D.87961 dated October 12, 1977 in A.57379 (Southern California Edison Co.).

Under the authority granted by D.90379, SDG&E entered into a Fuel Lease as of June 5, 1979 with Songs Fuel Company (SONGS) and consented to a Credit Agreement of the same date establishing a \$66,000,000 credit line for SONGS. The form of that Fuel Lease and the form of that Credit Agreement were submitted to the Commission as Exhibits B and C, respectively, to A.58778 filed April 4, 1979.

In November 1981, SDG&E sought authorization from the Commission to increase its nuclear fuel leasing capability from \$66,000,000 to \$100,000,000 and, ultimately, to \$150,000,000. This authorization was granted by the Commission in D.82-02-090, as corrected by D.82-03-068 in A.61075. In A.61075, Applicant had contemplated that the increase in credit authority to \$100,000,000 (and, then, to \$150,000,000) would be accomplished by an amendment to the existing Credit Agreement between SONGS and Continental Illinois National Bank and Trust Company of Chicago (Continental).

A copy of the contemplated amendment to the Credit Agreement was submitted to the Commission as Exhibit B to A.61075. The amendment was executed as of March 22, 1982 to increase the credit limit for the benefit of SDG&E from \$66,000,000 to \$100,000,000.

SDG&E's Current Negotiations

SDG&E is now involved in negotiations to obtain the benefit of an increased credit limit up to \$150,000,000. Although SDG&E originally contemplated that the increase in the credit limit would be accomplished under terms and conditions identical to the amendment as Exhibit B to A.61075, Continental, the single bank now providing the credit for SDG&E's nuclear fuel leasing arrangements, will not provide a \$50,000,000 increase to its existing \$100,000,000 credit line for SDG&E's benefit. SDG&E has sought the participation of other banks in the credit facility. Under the arrangements now being negotiated, a multi-party credit agreement for SONGS with two banks is contemplated. The form of Fuel Lease which SDG&E is now negotiating is attached as Exhibit A to the application and the form of new Credit Agreement being negotiated is attached as Exhibit B to the application.

SDG&E's Request for Authorization

D.82-02-090 (corrected by D.82-03-068) contemplated that SDG&E's \$50,000,000 increase in its nuclear fuel leasing and financing arrangements would be effected by an amendment to the

existing Credit Agreement rather than a new credit agreement. Insofar as it is contemplated that an additional bank will be added to the credit agreement, it has become necessary to develop a new credit agreement and to amend and restate the Fuel Lease.

SDG&E now requests Commission approval for authority to enter into an amended and restated Fuel Lease and to consent to a new Credit Agreement. Although the form of the new Credit Agreement submitted by SDG&E is more detailed and voluminous than the existing credit agreement, the basic structure of the nuclear fuel leasing and financing arrangement (involving both the Fuel Lease and the Credit Agreement) will remain essentially the same and will continue to be of general economic benefit to SDG&E's ratepayers. The form of the amended and restated Fuel Lease, submitted by SDG&E, is similar in all material respects to the existing Fuel Lease.

The Contemplated Nuclear Fuel Leasing and Financing Arrangements

The contemplated nuclear fuel leasing and financing arrangements referred to above are similar to those described and set forth in A.58778 filed April 4, 1979 and A.61075 filed November 25, 1981. Those applications were approved by the Commission in D.90379 and D.82-02-090, corrected by D.82-03-068.

As described in the prior applications, the items under the nuclear fuel lease include nuclear fuel in the mining, milling, conversion, enrichment, fabrication, and heat production stages of

the nuclear fuel cycle. Under the basic transaction, nuclear fuel to be used by SDG&E is purchased by, or title is granted to, SONGS, as owner of the fuel. SONGS, a Delaware corporation, is a wholly-owned subsidiary of Broad Street Contract Services, Inc. (BSC), a Delaware corporation, which is engaged with its other subsidiaries in a general leasing business. BSC is owned by a partnership composed of partners who are also partners of Goldman, Sachs & Co., an investment banking firm. Neither BSC, its subsidiaries (including SONGS), Goldman, Sachs & Co., nor any persons affiliated with any of these companies are affiliated with SDG&E or any of its subsidiaries.

The Fuel Lease between SDG&E, as lessee, and SONGS, as lessor, would remain a completely net lease, and SDG&E would make lease payments to SONGS for (1) the amount of nuclear fuel burned and (2) administrative and other costs of SONGS (including financing costs under the Credit Agreement). During the time that the nuclear fuel is not producing heat in the reactor, SDG&E can defer the payment of the administrative and other costs by requesting SONGS to capitalize those costs, provided that the aggregate credit limit is not exceeded. SDG&E is also required to make certain additional payments upon the termination of the Fuel Lease, upon an event of default under the Fuel Lease, or upon certain other events described in the Fuel Lease.



The purchase of the nuclear fuel and related services would be financed by SONGS through the issuance and sale of commercial paper or by direct bank loans. The commercial paper issued by SONGS would be backed by irrevocable bank letters of credit in order to obtain a rating from one or more of the national rating agencies. That rating is necessary in order to sell the commercial paper in the commercial paper marketplace. The arrangements under which the letters of credit would be issued and the revolving bank loans would be made are set forth in the Credit Agreement between SONGS and the banks. SDG&E's approval of SONGS' entry into the Credit Agreement will be required under the Fuel Lease and will be by means of a Consent to Assignment generally in the form as contained in Exhibit B to the application.

In view of the fact that negotiations on the nuclear fuel leasing and financing arrangements have not been completed, SDG&E expects that further revisions to the Fuel Lease (Exhibit A to the application), the Credit Agreement (Exhibit B to the application), and exhibits and related documents thereto may be made. SDG&E asserts, however, that the revisions would not change the basic structure or the general economic benefits of the transaction to SDG&E's ratepayers.

SDG&E has also requested authorization from the Commission to substitute or add one or more new banks, or financial institutions, in place of, or in addition to, either or both of the

two banks currently named in the Credit Agreement, provided that the credit limit under the Credit Agreement shall not exceed \$150,000,000. SDG&E claims that this authority would allow it to obtain the services of other creditors for its benefit, in the future, without the necessity of additional filings by SDG&E and decisions by the Commission.

SDG&E has requested a prompt review of its application so that it may enter into the contemplated nuclear fuel leasing and financing arrangements to increase its credit limit expeditiously.

The Commission's Revenue Requirements Division has reviewed SDG&E's application and finds this transaction to be essentially similar to the prior nuclear fuel leasing and financing arrangements. The Division has no objection to SDG&E entering into the contemplated Fuel Lease or consenting to the Credit Agreement as described in the application. The Division has also considered the request of SDG&E for further authorization to substitute or add other banks and financial institutions to its nuclear fuel leasing and financing arrangements, subject to the credit limit of \$150,000,000, and has concluded that the authorization requested is proper and necessary to help SDG&E meet its projected financing requirements. The Division reserves the right to reconsider the reasonableness of any specific payments under the agreements entered into or consented to by SDG&E in future rate proceedings.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed nuclear fuel leasing and financing transaction is similar to the transactions previously reviewed and approved by the Commission and may permit SDG&E to acquire nuclear fuel for its San Onofre Nuclear Power Plant at significantly less cost than would be required for the outright purchase of the nuclear fuel.
3. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application, as amended, should be granted to the extent set forth in the order which follows.

The following order should be effective on the date of signature to enable SDG&E to proceed with its nuclear fuel leasing and financial arrangements expeditiously.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E), on or after the effective date of this order, shall be authorized to enter into an amended and restated Fuel Lease with Songs Fuel Company (SONGS), generally in the form attached as Exhibit A to the application.

2. SDG&E may consent to SONGS' execution of a Credit Agreement, generally in the form attached as Exhibit B to the application, with the banks named therein to increase the amount of the available credit limit for \$100,000,000 up to \$150,000,000.

3. SDG&E may modify or consent to the modification of the Fuel Lease, Credit Agreement, exhibits, and related documents to substitute or add one or more new banks or financial institutions in place of, or in addition to, either or both of the two banks currently named in the Credit Agreement, provided that the credit limit under the Credit Agreement shall not exceed \$150,000,000.

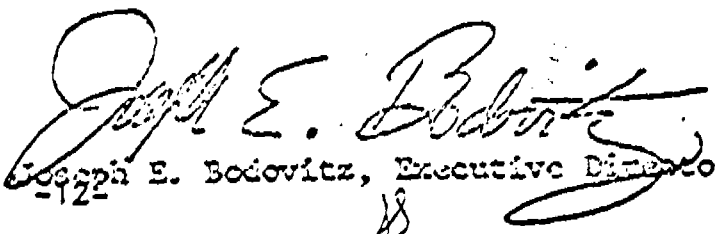
4. In all other respects, D.90379 and D.82-02-090 (as corrected by D.82-03-068) shall remain in full force and effect.

This order is effective today.

Dated AUG 3 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director