

LSC

Decision No. 87617 JUL 19 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| In the matter of the Application) | |
| of Southern California Edison) | Application No. 57378 |
| Company for an order authorizing) | (Filed June 14, 1977) |
| it to execute and deliver a) | |
| Performance Guarantee.) | |

O P I N I O N

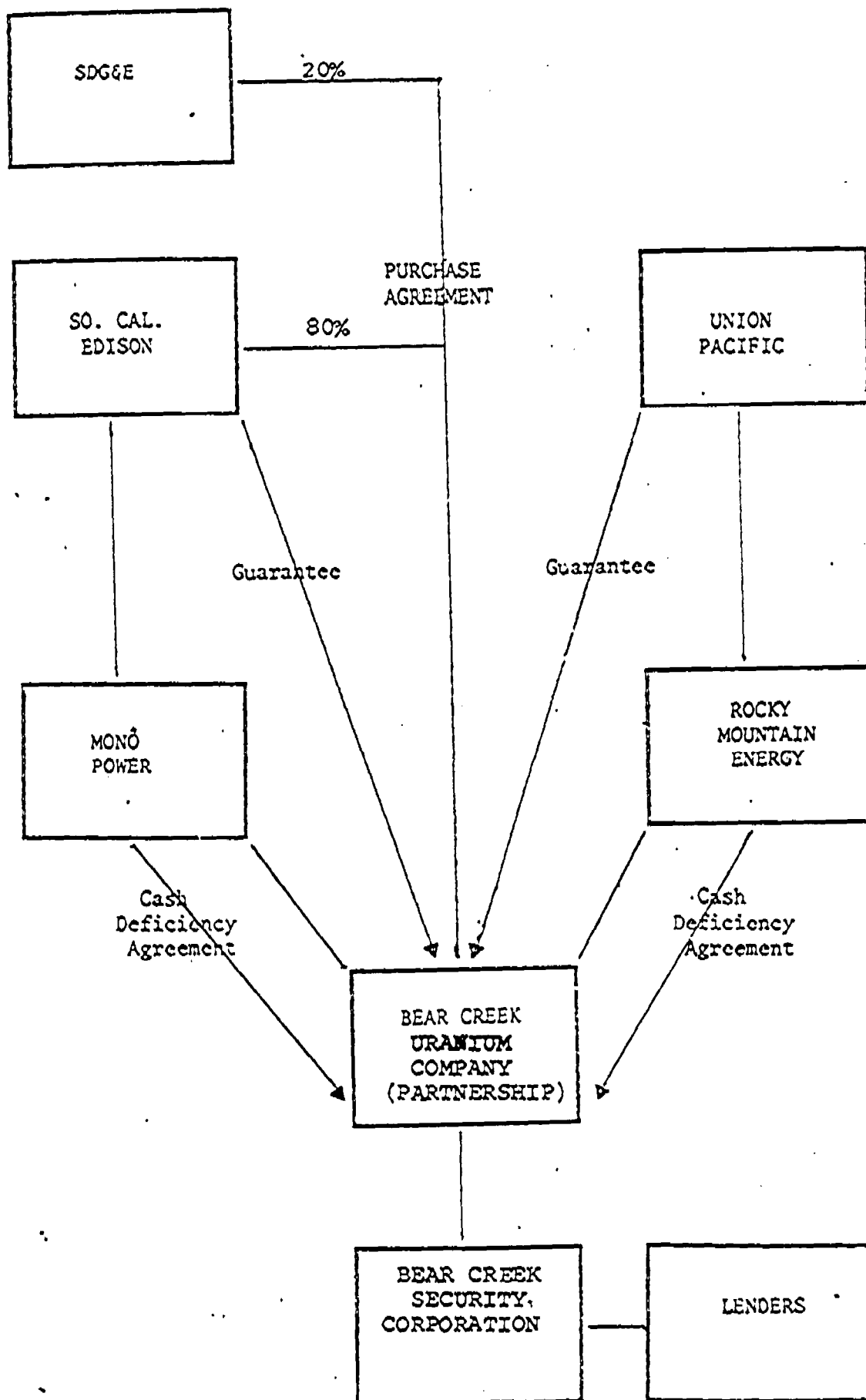
Southern California Edison Company (Edison) requests authority to execute and deliver a Performance Guarantee and an agreement with Union Pacific Corporation (UP) in connection with a project financing scheme for an integrated uranium mining and milling facility. Commission authority for such a guarantee is required by Section 830 of the Public Utilities Code.

Mono Power Company (Mono), a wholly owned subsidiary of Edison, and Rocky Mountain Energy Company (RMEC), a wholly owned subsidiary of UP, are currently in the process of developing an integrated uranium mining and milling complex in the Powder River Basin of Wyoming, about 70 miles northeast of Casper. Mono and RMEC are presently concluding a general partnership arrangement designed to result in formation of the Bear Creek Uranium Company (the Partnership), with both parties owning a 50% interest. Pursuant to a contemplated project financing scheme, the Partnership would issue promissory notes (Partnership Notes) to Bear Creek Security Corporation, a financing entity established for the purpose of issuing parallel notes (Financing Notes) to certain institutional investors. The \$40,000,000 of proceeds to be derived from the issuance of the Financing Notes

would be paid to the Partnership as consideration for the issuance of the Partnership Notes. The sum would be divided equally between Mono and RMEC, and Mono proposes to apply its share to the repayment of money previously advanced to Mono by Edison. A summary of the terms and conditions applicable to the Partnership financing is attached to the application as Exhibit D.

In the course of the project financing, Edison would be required to execute and deliver a Performance Guarantee, a copy of which is attached to the application as Exhibit A, whereby Edison would guarantee the obligations assumed by Mono pursuant to a Cash Deficiency Agreement in substantially the form as that attached to the application as Exhibit B. Edison would also be required to execute an agreement with UP to cause the performance by Mono and RMEC respectively of (a) the obligations set forth in their respective cash deficiency agreements and (b) their partnership obligations to furnish, in proportion to their respective partnership interests, funds for the Partnership operation. A copy of the agreement with UP is attached to the application as Exhibit A-1. Both the Mono and RMEC cash deficiency agreements and Edison's and UP's performance guarantee would be assigned by the Partnership to a trustee for the purpose of providing additional security for purchasers of the Financing Notes.

The relationships of the various elements of the project financing plan are shown on the following schematic diagram:



Edison has furnished our staff a summary of the terms of the project financing scheme, which summary is received as Exhibit No. 1 in this proceeding. According to Exhibit No. 1, the notes issued by Bear Creek Security Corporation, in the principal amount of \$40,000,000 (Mono's share being \$20,000,000) would bear an interest rate of 8-1/8 percent. The notes would be repayable in 14 equal semi-annual payments beginning 3-1/2 years after the completion date of the financing and would be subject to redemption, under certain restricted conditions, after five years. Edison expects that they would be rated Aa by Moody's and AA by Standard and Poor's and would be sold to a group of institutional investors.

In response to an informal inquiry by our Finance Division, Edison has stated that a fee of 1/2 of 1 percent of the principal amount would be paid to First Boston Corporation for arranging the project financing. Mono's share of the fee would thus be \$100,000.

The Partnership anticipates the realization of sufficient funds to pay principal and interest on its debt as well as operating costs through sale of uranium concentrates to Edison and San Diego Gas & Electric Company for ultimate use at the San Onofre Nuclear Generating Station. To the extent that the Partnership's cash flow is insufficient, Mono and RMEC are to each pay to the Partnership an amount equal to their share of any deficiency pursuant to their respective cash deficiency agreements, and payments may take the form of capital contributions, prepayments for future deliveries or any other obligation of the Partnership which is expressly subordinate to the Financing Notes. The obligations of Mono and RMEC would be several and not joint and absolute, unconditional and noncancellable for the life of the Financing Notes.^{1/}

^{1/} By making the obligations "several and not joint" Edison would not be guaranteeing RMEC's portion of any deficiencies.

On July 12, 1977 the Commission received a letter from Edison together with attachments of revised copies of both the form of Performance Guarantee and the form of Cash Deficiency Agreement previously filed with the application as Exhibit A and Exhibit B, respectively. The revisions relate to various representations made by Edison with respect to its performance under the guarantee. The letter with attachments is received as Exhibit No. 2 in this proceeding.

The Operations Division of the Commission has reviewed Edison's request and has no objection to the execution of the guarantee.

Edison alleges that the proposed execution and delivery of the performance guarantee and the agreement with UP is necessary to afford to Mono the benefits derived from the lowest cost of money available from outside sources.

The Commission has considered this matter and finds that the execution and delivery of the proposed performance guarantee and agreement with UP would not be adverse to the public interest. On the basis of this finding, we conclude that the application should be granted. There is no known opposition to the application and there is no reason not to grant the authority requested. A public hearing is not necessary. In order that the financing may be completed in an expeditious manner, the effective date of this order will be the date hereof.

O R D E R

IT IS ORDERED that Southern California Edison Company may execute and deliver a Performance Guarantee substantially as set forth in Exhibit No. 2, and an agreement with Union Pacific Corporation in substantially the same form as that attached to the application as Exhibit A-1, and may take such actions with respect thereto as contemplated in the application.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day of JULY, 1977.

Lopstein
Claire L. DeFried

Roland Bateman

President
William J. ...

James L. ...

Richard D. ...

Commissioners