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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Southern California Edison Company (U-338E) for Approval under Public Utilities Code Section 851 for the Sale of Its North Coast Property.	A. 25-12-015

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) OPENING BRIEF

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SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) OPENING BRIEF

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TABLE OF AUTHORITIES

LIST OF COMMONLY USED ACRONYMS AND ABBREVIATIONS

Amendment	Amendment to Purchase and Sale Agreement and Escrow Instructions executed by SCE and the Purchaser on November 17, 2025
Application	Application Of Southern California Edison Company (U-338E) For Approval Under Public Utilities Code Section 851 For The Sale Of Its North Coast Property
Cal Advocates	The Public Advocates Office
CEQA	California Environmental Quality Act (Pub. Resources Code § 21000 *et seq.*)
Commission	California Public Utilities Commission
CPUC	California Public Utilities Commission
Evidentiary Ruling	*Email Ruling Confirming Evidentiary Hearing Not Needed; And Setting Final Date For Motion To Move Documentary Evidence Into The Record And Response(s) To Motion*, issued July 15, 2026
ESJ Action Plan	Environmental and Social Justice Action Plan
Guidelines	Guidelines to Implement the CPUC Tribal Land Policy adopted in Resolution E-5076
HVAC	Heating, ventilation, and air conditioning
IGPE	Integrated Grid Planning and Execution
LRFP	Long-Range Facility Plan

Original Agreement	Purchase and Sale Agreement and Escrow Instructions entered into by SCE and the Purchaser on September 24, 2025
Property	SCE's North Coast building property, located at 28460 Avenue Stanford, Santa Clarita, CA
Purchaser	Rebecca S. Rowe or her assignee
Rules	CPUC's Rules of Practice and Procedure
SBUA	Small Business Utility Advocates
SCE	Southern California Edison Company
Scoping Memo	*Assigned Commissioner's Scoping Memo and Ruling* filed in this proceeding on March 10, 2026
Section 851	California Public Utilities Code Section 851
T&D	Transmission and Distribution
Tribal Land Transfer Policy	*Investor-Owned Utility Real Property – Land Disposition – First Right of Refusal for Disposition of Real Property Within the Ancestral Territories of California Native American Tribes*

RECORD CITATION FORM

Record exhibits are cited as: "[party] Exhibit [number] [(witness)], at [page(s):line(s), to the extent applicable]."[1]

[1] Exhibit numbers correspond to the numbers designated in *Administrative Law Judge's Ruling Granting Motions To Admit Evidence And To Seal Portions Of The Evidentiary Record* filed on August 5, 2026.

SUMMARY OF RECOMMENDATIONS

Pursuant to Rule of Practice and Procedure 13.12, SCE provides the following summary of points and recommendations that are further developed throughout the balance of this Opening Brief.

Southern California Edison Company ("SCE") respectfully recommends and requests that the California Public Utilities Commission ("Commission" or "CPUC") approve the *Application Of Southern California Edison Company (U-338E) For Approval Under Public Utilities Code Section 851 For The Sale Of Its North Coast Property* ("Application") regarding the sale of SCE's North Coast office building property in Santa Clarita, California, to Rebecca S. Rowe or her assignee.

The Commission should authorize the proposed transaction pursuant to Public Utilities Code Section 851 because:

- The proposed transaction is in the public interest. It will reduce costs for SCE's customers without impairing SCE's utility operations or its ability to provide safe and reliable service and will enable the property to continue to be used as productive office space;
- The ratemaking proposed by SCE is consistent with long-standing Commission framework and precedent;
- The California Environmental Quality Act (Pub. Resources Code § 21000 et seq., "CEQA") does not require CPUC environmental review of the proposed transaction as the transfer of the property as contemplated herein will not cause any foreseeable environmental impact;
- SCE's noticing of the property's availability complied with the Commission's Tribal Land Transfer Policy; and
- The proposed transaction does not conflict with the Commission's Environmental and Social Justice Action Plan.

SCE respectfully requests and recommends that the Commission approve the sale of the Property to Purchaser and the ratemaking requested by SCE, find that CEQA review is not required for this transaction and find that the proposed transaction complies and/or does not conflict with the Commission's Tribal Land Transfer Policy and Environmental and Social Justice Action Plan.

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Pursuant to Rule 13.12 of the California Public Utilities Commission's ("Commission's" or "CPUC's") Rules of Practice and Procedure ("Rules"), the *Assigned Commissioner's Scoping Memo And Ruling* ("Scoping Memo") filed in this proceeding on March 10, 2026 and the *Email Ruling Confirming Evidentiary Hearing Not Needed; And Setting Final Date For Motion To Move Documentary Evidence Into The Record And Response(s) To Motion* (the "Evidentiary Ruling") filed in this proceeding on July 15, 2026*,* Southern California Edison Company ("SCE") respectfully submits this Opening Brief.

I.

INTRODUCTION

SCE regularly reviews its workforce requirements and real estate portfolio to ensure that its facilities are appropriately configured to support the provision of safe, reliable and affordable service to its customers. While that is a common practice at SCE, the COVID-19 pandemic and subsequent business operation assessments have ushered in many changes over the past several years, including hybrid work schedules, organizational restructurings and workforce consolidations. One product of those changes was SCE's determination that it no longer needs a substantial asset – its North Coast Office Building located at 28460 Avenue Stanford (Assessor's Parcel Number 2866-013-800) in the City of Santa Clarita, California (the "Property"). Although SCE has owned the Property for 15 years and it has been staffed with SCE office workers, SCE determined in 2023 after a long and careful evaluation that it no longer had an operational need for the Property given the development of hybrid work schedules and other corporate initiatives. As a result, SCE elected to do what prudent businesses routinely do – sell off an unnecessary and costly asset that otherwise would continue to impose expensive overhead costs and property tax burdens.

As shown throughout this Opening Brief, SCE's actions in marketing the Property and entering into a contract for its sale were prudent and reasonable. SCE steadfastly navigated a challenging property sale environment undercut by the pandemic's dramatic effect on office space valuation. SCE also undertook a thorough evaluation of alternative approaches, including comparing various offers and holding the Property for a later sale. Although a sale of the Property would result in a loss compared to SCE's investment, SCE determined that selling the Property for $7,209,250 to a sophisticated purchaser who submitted an all-cash offer with a short due diligence period provided the most reasonable solution for SCE, its ratepayers and the local community compared to other approaches that would likely prove even more costly. SCE also complied with Commission policies before and during the marketing process, including the *Investor-Owned Utility Real Property – Land Disposition – First Right of Refusal for Disposition of Real Property Within the Ancestral Territories of California Native American Tribes* ("Tribal Land Transfer Policy") and determined that the transaction would not be inconsistent with the Commission's *Environmental and Social Justice Action Plan* ("ESJ Action Plan").[2]

Given the reasonableness of its actions, SCE now respectfully seeks Commission approval pursuant to Public Utilities Code Section 851 to sell the Property and allocate the loss on sale according to well-established Commission precedent.

[2] No Tribe expressed an interest in purchasing the Property, and the purchaser has represented that she plans to continue to use the building for office purposes.

II.

BACKGROUND FACTS AND PROCEDURAL HISTORY

The material facts in this proceeding, including the history and details of the proposed transaction, are not in dispute.

A. The Property And SCE's Evolving Office Space Needs

SCE acquired the Property in 2011, and since that time SCE's Transmission & Distribution operating unit ("T&D") has used it for office purposes.[3] The Property is a little over two acres located in a commercial and industrial business park and is developed with a two-story office building with approximately 45,228 square feet and a parking lot with 160 parking spaces.[4]

T&D has consistently used the building for office purposes since its acquisition. However, after the onset of the COVID-19 pandemic in 2020, SCE's workforce shifted to more remote and hybrid work modes, as well as space sharing and "hoteling" practices when in the office.[5] SCE continually reviews its real estate portfolio and operational needs, and as part of that effort, in 2022, SCE directed its real estate consultant Newmark to assess potential options for SCE's corporate real estate holdings. Newmark prepared a Long-Range Facility Plan ("LRFP") that, among other things, identified the Property as a candidate for disposition given the evolving work modes.[6] Following receipt of that assessment, SCE's Corporate Real Estate department initiated a broader review involving affected operating organizations and Finance personnel to assess operational requirements, space needs, workforce planning assumptions, and the financial implications associated with a potential disposition. That review was necessary because the building still housed SCE personnel, and SCE needed to determine whether those

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[3] Application, at 2, 14; Exhibit SBUA-01 (Sheriff), at 7, fn. 4.

[4] Application, at 2, 14.

[5] Exhibit SCE-01 (Neal), at 3:15 – 4:3: 6:6-14.

[6] The LRFP did not constitute a final determination by SCE that the building was no longer needed for utility operations, and it did not represent any determination or authorization by SCE to list, market, or sell the property. (Exhibit SCE-01 (Neal), at 3:1-6.)

employees could be relocated to other facilities without impairing operations or creating future space constraints, all during a period when T&D was undertaking a new Integrated Grid Planning and Execution ("IGPE") transformation involving organizational restructuring, leadership changes, workforce realignments, and changes in work locations evolving from individually assigned workstations toward neighborhood hoteling and other shared-space models.[7]

B. SCE's Marketing Of The Property

By late 2023, SCE determined that given its evolving workforce needs (including hybrid work modes and available space at other SCE facilities), the Property was no longer needed.[8] SCE then commenced procedures to dispose of the property, including outreach to inform Native American tribes of the Property's availability pursuant to the Commission's *Investor-Owned Utility Real Property - Land Disposition - First Right of Refusal for Disposition of Real Property Within the Ancestral Territories of California Native American Tribes* ("Tribal Land Transfer Policy") and *Guidelines to Implement the CPUC Tribal Land Policy*.[9] SCE then retained its broker CBRE to market the Property. SCE received one offer in June 2024 but paused marketing of the Property after determining that SCE had continued operational needs for the office space.[10]

After several months, once it had developed a plan to accommodate the employees assigned to the North Coast Office Building at other SCE facilities, SCE re-initiated plans to sell the Property.[11] It provided Tribal Land Transfer Policy notices to Native American Tribes in

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[7] Exhibit SCE-01 (Neal), at 3:15-4:2, 5:13-17.

[8] Exhibit SBUA-01 A3 (Sheriff), at November 8, 2023 *Corporate Real Estate Strategy* presentation, at slide 5; Exhibit SCE-01 (Neal), at 5:3-8.

[9] A representative of the Gabrieleño Band of Mission Indians - Kizh Nation contacted SCE to inquire about the reasons for the sale but stated they were not interested in purchasing the Property. (Application, at 7.)

[10] Application, at 3.

[11] Exhibit SCE-01 (Neal), at 7:14-15

April and May 2025,[12] and received one email from a representative of the Santa Ynez Band of Chumash Indians advising that the Tribe did not have an interest in purchasing the Property.[13] In the summer of 2025, CBRE marketed the Property again to developers, investors, and end users. SCE received best and final offers from three parties, each of whom offered the same amount – $7,250,000.[14] SCE reviewed the terms of the offers and analyzed other options (*i.e.*, continuing to use the building and holding the Property in the hope that better market conditions might develop).[15] SCE determined that selling the Property to Rebecca S. Rowe ("Purchaser") would be the most advantageous, for several reasons, including: a) SCE and CBRE did not expect demand for office buildings to strengthen over the next several years; b) retiring the Property's rate base would result in a revenue requirement reduction; and c) selling the Property would avoid expenditures such as property taxes and operations and maintenance costs.[16] In addition, although all three final offers identified the same purchase price, Purchaser's offer was deemed superior to the others because it proposed a cash purchase with no financing contingencies and a short due diligence period.[17] SCE also believed Purchaser to be a sophisticated commercial property owner with plans to maintain the existing office use of the building by re-leasing it to end users.[18]

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[12] One letter included a revised notice to the identified Tribes to correct a mistake regarding the deadline for responses regarding Tribal interest in the Property. (Application, at 8.)

[13] Application, at 8.

[14] Application, at 4; Exhibit SBUA-01 (Sheriff), at 7:18-20.

[15] Exhibit SCE-01 (Neal), at 6:22-7:5.

[16] Application, at 3-4.

[17] Application, at 4.

[18] Application, at 8-9. The Property is not located in a community identified under the Commission's Environmental and Social Justice Action Plan. Regardless, SCE believed that the sale of the Property would not adversely affect the environment of the surrounding established office park and was likely to have a positive economic impact on the surrounding community by revitalizing a currently under-utilized property. (*Id.*)

C. The Purchase Transaction And Accounting

On September 24, 2025, SCE and Purchaser entered into a Purchase and Sale Agreement and Escrow Instructions (the "Original Agreement"), which provided for Purchaser to acquire title to the Property for payment of $7,250,000 following satisfaction of certain conditions, including CPUC approval of the transaction.[19] After Purchaser's due diligence revealed concerns about the building's heating, ventilation and air conditioning ("HVAC") system and the building's roof, SCE and Purchaser executed an Amendment to Purchase and Sale Agreement and Escrow Instructions (the "Amendment") on November 17, 2025, modifying the transaction purchase price to $7,209,250 (a reduction of $40,750).[20]

The Property's original plant cost, including alterations and improvements made to the building, was $11.09 million, and its forecasted net book value (as of December 31, 2026) is $8.37 million.[21] SCE estimated the pre-tax loss on sale, inclusive of transaction costs, to be approximately $2.05 million and the after-tax loss on sale to be approximately $1.49 million.[22]

D. The Proceeding

Pursuant to Public Utilities Code Section 851 and the Rules, SCE filed its Application seeking CPUC approval of the transaction on December 17, 2025. The Application seeks approval of the proposed transaction, as well as allocation of the loss on sale in a manner consistent with Commission precedent (*see* Section III, below). Small Business Utility Advocates ("SBUA") and the Public Advocates Office ("Cal Advocates") moved for and were granted party status. Following a Prehearing Conference held on February 27, 2026, the Scoping Memo was issued establishing timelines for testimony, hearings if needed and briefs, and directing the parties to meet and confer regarding procedural matters.

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[19] Application, at Appendix A, pp. A3, A8, A22.

[20] Application, at Appendix B, p. B2.

[21] Application, at 4; Application, at Appendix C, p. C1.

[22] Application, at Appendix C, p. C1.

SBUA served prepared testimony (confidential and public versions) of witness Matt Sheriff on June 12, 2026 and SCE served prepared rebuttal testimony of multiple witnesses on July 2, 2026.[23] Thereafter, the parties met and conferred and jointly agreed that evidentiary hearings were not needed. The parties jointly filed a motion requesting that all prepared testimony should be admitted into evidence, and SBUA filed a *Motion To Seal Portions Of The Evidentiary Record Of Small Business Utility Advocates,* requesting that the Commission seal portions of its testimony that contained information that SCE treated as confidential because it contained market-sensitive information. On July 15, 2026, ALJ Valerie U. Kao issued the Evidentiary Ruling confirming that hearings would not be needed, and on July 24, 2026 SCE, Cal Advocates and SBUA filed a joint motion to offer prepared testimony into evidence and SBUA separately filed a motion to seal portions of the evidentiary record. On August 5, 2026 ALJ Kao issued an *Administrative Law Judge's Ruling Granting Motions To Admit Evidence And To Seal Portions Of The Evidentiary Record,* identifying and receiving the Application, SBUA's public and confidential testimony and SCE's rebuttal testimony into the record and granting SBUA's motion to seal Exhibit SBUA-01C and Exhibit SBUA-01 A5 Confidential.

Pursuant to the Scoping Memo, SCE now submits this Opening Brief.

III.

LEGAL STANDARDS GOVERNING SECTION 851 PROCEEDINGS

Public Utilities Code Section 851 provides that public utilities subject to the Commission's jurisdiction must obtain Commission approval for disposal of property necessary or useful in the performance of its duties to the public. It provides in relevant part:

> "851. (a) Except as provided in subdivision (c), a public utility, other than a common carrier by railroad subject to Part A of the Interstate Commerce Act (49 U.S.C. Sec. 10101 et seq.), shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of, its railroad, street railroad, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, or by any

[23] Cal Advocates did not serve any prepared or rebuttal testimony.

> means whatsoever, directly or indirectly, merge or consolidate its railroad, street railroad, line, plant, system, or other property, or franchises or permits or any part thereof, without first having either secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars ($5,000,000), or for qualified transactions valued at five million dollars ($5,000,000) or less, filed an advice letter and obtained approval from the commission authorizing it to do so…"

The Commission reviews applications submitted pursuant to Section 851 to determine whether the proposed transaction is in the public interest.[24] The Commission has found that "the public interest is served when utility property is used for other productive purposes without interfering with the utility's operation or affecting service to utility customers."[25]

In its *Order Instituting Rulemaking on the Commission's Own Motion for the Purpose of Considering Policies and Guidelines Regarding the Allocation of Gains from Sales of Energy, Telecommunications, and Water Utility Assets* (in Proceeding R.04-09-003), the Commission also established rules regarding the allocation of gains and losses on the sale of utility assets. Namely, it found that absent certain extraordinary circumstances, the allocation of a gain or loss should be as follows: 100% to ratepayers for depreciable assets, and a split of 67% to ratepayers and 33% to shareholders for non-depreciable assets, when the purchase price of the asset is less than or equal to $50 million and the gain or loss on sale is $10 million or less.[26]

IV.

DISCUSSION

The Commission should grant approval of the proposed transaction because it meets the Commission's standards for implementation of Section 851. The Commission also should grant SCE's proposed ratemaking because it is consistent with Commission precedent.

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[24] CPUC Decision ("D.") 02-01-058, at 7; D.03-08-059, at 6.

[25] D.00-07-010, at 7-8; D.05-12-036, at 9D.

[26] D.06-05-041, as modified by D.06-12-043.

A. **<u>The Proposed Transaction Should Be Approved Because The Sale Of The Property Is In The Public Interest And SCE No Longer Needs The Property.</u>**

The proposed transaction should be approved because it will reduce long-term costs for SCE's customers, particularly compared to other alternative approaches considered by SCE. In addition, the Property is no longer necessary for SCE's utility operations, and the sale will not impair SCE's ability to provide safe and reliable service.[27] Importantly, no party has protested the proposed transaction itself, or provided any testimony suggesting that the Commission should deny SCE's request to complete the proposed sale pursuant to Section 851.

Disposing of the Property would be in the public interest, particularly because it provides a prudent avenue for cost savings to SCE customers. Prior to deciding to sell the Property, SCE evaluated alternatives to the sale after receiving final offers. Those alternatives included selling to another bidder, waiting to sell the Property in hopes of a better future suburban office market, and continuing to use the Property for SCE office needs.[28] SCE reasonably concluded that the proposed sale to the Purchaser was the strongest and lowest-cost alternative and provided the most prudent outcome for the public, and particularly SCE's customers. Although the final bidders offered the same purchase price, the Purchaser's terms were superior because the Purchaser completed due diligence before CPUC approval and did not require a financing contingency. The other bidders required financing contingencies and longer due diligence periods that would not begin until after Commission approval. SCE reasonably determined that those terms would increase transaction risk and delay.[29]

Waiting to sell was not viewed as a superior alternative. SCE and CBRE did not foresee demand for office buildings materially strengthening over the next several years. Retaining the Property likewise was not attractive because SCE no longer has an operational need for the

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[27] Application, at 2-3, 14; Exhibit SCE-01 (Neal), at 4:1-6, 11-23; 7:12-17, 8:7-13.

[28] Application, at 3-4; Exhibit SCE-01 (Neal), at 6:24-7:7.

[29] Application, at 4.

office space. The sale will also avoid future expenditures associated with property taxes and annual operations and maintenance costs for the Property.[30]

SCE notes a minor correction of the record as follows. The Application stated that retiring the Property's rate base would result in an estimated revenue requirement reduction of approximately $1.3 million per year.[31] However, in connection with preparing this brief, SCE re-reviewed the revenue requirement reduction calculations and discovered an error. SCE wishes to correct the record to show that, should the transaction close in January 2027, the revenue requirement reduction will be approximately $1.0 million for 2027. Consistent with SCE's pending procedural proposal, the revenue requirement reduction will be trued up in the advice letter implementing a decision resolving this Application, which will reflect the actual closing date and final applicable inputs. The revenue requirement reduction was not used in SCE's loss-on-sale calculations or in SCE's alternatives analysis. The correction does not affect SCE's requested loss-on-sale treatment, its evaluation of alternatives, and the relief requested in the Application, all of which demonstrate that completing the transaction would be in the public interest as the superior approach for customers.[32]

The record also confirms that the transaction will not interfere with utility operations or compromise safety. Beginning during the COVID-19 pandemic, SCE's remote work practices, combined with subsequent organizational restructuring and workforce realignments, ultimately led SCE to conclude that the Property was no longer needed for SCE's office needs. Those needs could be adequately served at other SCE facilities, and SCE completed reconfigurations of its Northern Transmission Regional Office and Valencia Service Center to accommodate office workers who had previously been assigned to the Property. As explained by SCE's Director of Corporate Real Estate Don Neal, by November 2023 SCE determined that the Property, and the building in particular, were no longer needed for SCE staffing needs, and by mid-2025 SCE had

[30] *Id.*

[31] *Id*.

[32] As a courtesy, SCE notified the parties to this proceeding of this correction.

developed a plan to accommodate employees assigned to the North Coast Office Building at other SCE facilities.[33] If necessary, SCE knew it could also lease a smaller, lower-cost office to accommodate relocation needs. Disposing of the Property would not have any material impact on SCE's ability to perform its operations or provide safe and reliable electrical service.

Given that the record establishes that the sale will reduce customer costs without impairing SCE's utility operations or service obligations and allow the Property to continue to provide productive office space for the Santa Clarita community, the Commission should find that the transaction is in the public interest and should be approved.

B. SCE's Proposed Ratemaking Should Be Approved Because It is Consistent with Commission Policy and Precedent.

As described herein, SCE's proposed ratemaking treatment for the transaction is reasonable and consistent with both Commission policy governing gains and losses associated with the disposition of utility property and precedent. The Property's original plant cost, including alterations and improvements to the building, is approximately $11.09 million. Its forecasted net book value, using an assumed closing date of December 31, 2026, is approximately $8.37 million. The transaction is forecasted to result in a pre-tax loss on sale, inclusive of transaction costs, of approximately $2.05 million and an after-tax loss of approximately $1.49 million. The actual amounts will be recalculated after closing based on the actual book values as of the closing date.[34]

As discussed in its Application, SCE proposes the following ratemaking approach for the sale transaction, which was not reflected in SCE's 2025 GRC forecast:

- SCE's rate base will be reduced by the then-current net book value of the Property when the sale closes.

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[33] Exhibit SCE-01 (Neal), at 5:3-7; 7:14-17.

[34] Application, at 4; Application, at Appendix C, p. C1.

- SCE will reduce the revenue requirement associated with the Property's retired rate base upon closing, and the revenue requirement reduction will be applied to the remaining periods in the 2025 GRC cycle.
- SCE proposes to recover the pre-tax loss on sale, inclusive of transaction costs, by recording a debit in the Base Revenue Requirement Balancing Account.
- SCE proposes to recover any remaining regulatory tax assets related to the Property by recording a debit in the Base Revenue Requirement Balancing Account.
- Due to timing differences between when revenue recovered through the Base Revenue Requirement Balancing Account is taxable and when the loss on disposition is deductible, an Accumulated Deferred Income Tax balance will be created and included in rate base until the book-tax timing differences unwind.[35]

This approach is consistent with past SCE practices for transactions approved by the Commission pursuant to Section 851, and no party has argued or provided any testimony disputing or otherwise objecting to this approach in this proceeding.

SCE also requests that the loss from the sale be allocated in accordance with the Commission's gain-on-sale policy adopted in D.06-05-041, as modified by D.06-12-043. As discussed above, under that policy, gains or losses on depreciable assets are allocated to customers and gains or losses on non-depreciable assets are allocated 67 percent to customers and 33 percent to shareholders for routine asset sales where the purchase price is $50 million or less and the gain or loss on sale is $10 million or less. The North Coast transaction falls comfortably within those parameters. The purchase price is $7,209,250 and the expected after-tax loss is approximately $1.49 million. SCE's proposed treatment is fully consistent with the Commission's gain-on-sale policy.

Notably, SCE is not requesting any departure from established Commission policy or any transaction-specific ratemaking treatment in this proceeding. Rather, SCE seeks application of

[35] Application, at 5.

the Commission's generally applicable framework governing routine utility property dispositions. The Commission adopted its gain-on-sale policy to provide a predictable and consistent methodology for allocating gains and losses associated with routine asset sales, thereby avoiding the need to relitigate ratemaking treatment in each individual proceeding.[36] Applying the Commission's established framework to this transaction promotes regulatory consistency, ensures comparable treatment among similarly situated utility transactions, and provides the certainty necessary for utilities to efficiently manage assets that are no longer required for utility service.

The facts of this proceeding present precisely the type of routine transaction contemplated by the Commission's gain-on-sale policy. The Property predominantly consists of an office building that SCE no longer requires for utility operations. The Property was marketed through a competitive broker-led process, multiple offers were received, and SCE selected the purchaser offering the most favorable overall terms. The resulting loss reflects current market conditions and the retirement of an asset that is no longer needed to serve customers. There are no unusual circumstances that would justify departing from the Commission's established allocation methodology. To the contrary, application of the standard D.06-05-041 framework is particularly appropriate because the transaction falls well within both the purchase price and gain-or-loss parameters established by the Commission for routine sales.

The Commission has repeatedly applied the D.06-05-041 framework in Section 851 proceedings involving utility property dispositions. In fact, the Commission recently applied the gain-on-sale policy to the losses resulting from the sales of two SCE office buildings SCE determined were no longer needed for utility operations in D.25-06-016 (the sale of SCE's Irwindale Business Center)[37] and D.25-07-011 (the sale of SCE's General Office Building #5).[38]

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[36] D.06-05-041, at 8 ("We initiated this rulemaking to develop standardized guidelines for the allocation of the gains (and losses) from sales of utility assets.")

[37] *See* D.25-06-016, at 12 (Ordering Paragraph 4).

[38] *See* D. 25-07-011, at 11-12, 16 (Ordering Paragraph 2).

The Commission also applied the gain-on-sale policy unchanged in the approvals of the pending sales of SCE's Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3, and Sierra hydroelectric plants in D.25-09-012[39] and SCE's Lower Tule hydroelectric plant in D.26-08-014.[40] The Commission also allocated the gain related to SCE's grant of certain easements to the City of Ontario in accordance with the gain-on-sale policy in D.26-08-008.[41] These decisions reflect the Commission's continued reliance on the D.06-05-041 framework as the governing ratemaking policy for routine utility asset sales, including office building sales, hydroelectric facility sales and easement conveyances, and they confirm that SCE's requested treatment here is neither novel nor controversial. Accordingly, because the North Coast transaction falls squarely within the objective parameters established by D.06-05-041 and D.06-12-043, the Commission should approve SCE's proposed allocation of the loss resulting from the sale and find that such treatment is reasonable, customary, and consistent with established Commission precedent.

SBUA, in its testimony, suggests the Commission allocate 100% of the loss arising from this transaction to SCE shareholders.[42] SBUA asserts that SCE identified that the Property was no longer needed for operations in September 2022 and should have immediately marketed it for sale.[43] As SCE witness Don Neal explained, the September 2022 LRF Plan prepared by SCE consultant Newmark merely identified the Property as a potential disposition opportunity pending additional operational review.[44] It did <u>not</u> constitute a final determination that the Property was no longer useful for SCE's operations, <u>nor</u> did it authorize the Property to be sold.[45] The building continued to house SCE employees and SCE could not prudently sell the Property until it determined that the affected employees could be accommodated elsewhere without

[39] *See* D.25-09-012, at 12, 19 (Ordering Paragraphs 2-3).

[40] *See* D.26-08-014, at 19, 35 (Ordering Paragraphs 3-4.

[41] *See* D.26-08-008, at 5, 10 (Conclusion of Law 5).

[42] Exhibit SBUA-01 (Sheriff), at 23:12-15.

[43] Exhibit SBUA-01 (Sheriff), at 9:11 – 10:5.

[44] Exhibit SCE-01 (Neal), at 3:1-6.

[45] Exhibit SCE-01 (Neal), at 3:1-6.

impairing SCE's operations.[46] SBUA's allocation proposal would effectively require the Commission to create a transaction-specific exception to its established gain-on-sale policy without identifying any principled basis for doing so. SBUA has identified no extraordinary circumstances or Commission precedent that would justify disregarding the established framework. Such an outcome would undermine the predictability and consistency that the Commission sought to achieve through D.06-05-041 and D.06-12-043 and would invite parties to relitigate loss-allocation issues in every future Section 851 proceeding involving routine utility property dispositions. Nothing in the record supports such a departure from settled Commission policy.

SCE further proposes to submit updated calculations of the loss on sale in a Tier 1 advice letter following closing. That process is consistent with procedures followed in other proceedings, including Pacific Gas and Electric Company's Tule Hydro transaction, approved in D.22-11-002, and SCE's Irwindale Business Center sale, approved in D.25-06-016. SCE requests 120 days following closing to submit the advice letter so that it can ensure all invoices are processed, accounting procedures are followed, and any changes are reflected in the appropriate balancing accounts.[47]

C. <u>CEQA Does Not Require The Commission To Undertake Environmental Review Of The Proposed Transaction.</u>

CEQA requires an agency approving a discretionary project to consider whether the project may cause a direct or reasonably foreseeable indirect physical change in the environment.[48] The sale of SCE's interest in the Property does not have any such foreseeable impact. The transaction is a transfer of ownership of an existing office building located in an

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[46] Exhibit SCE-01 (Neal), at 3:15-4:2, 5:13-17.

[47] Application, at 6, fn. 4.

[48] Pub. Resources Code § 21065; *Sunset Sky Ranch Pilots Assn. v. County of Sacramento* (2009) 47 Cal.4th 902, 907.

established commercial and industrial business park, and there is no environmental impact from the transfer itself.

In addition, the Purchaser intends to use the Property consistent with its current use as an office building. If the Purchaser later decides to redevelop or materially change the Property, the Purchaser will be responsible for seeking any required review, permits, or approvals from the appropriate governmental agencies at that time, but SCE is not aware that the Purchaser has any such intention. Accordingly, the Commission should find that the proposed transaction does not require CEQA review.

D. This Transaction Complies With The Commission's Tribal Land Transfer Policy.

The Commission adopted the Tribal Land Transfer Policy on December 5, 2019.[49] The policy requires investor-owned utilities to notify appropriate local Native American Tribes of proposed dispositions of utility-owned fee real property subject to Section 851 and to provide Tribes with an opportunity to indicate interest in purchasing the property before the utility markets it to other parties.[50] The Commission subsequently adopted Resolution E-5076, establishing guidelines for implementation of the Tribal Land Transfer Policy.[51]

For this transaction, SCE complied with the Tribal Land Transfer Policy and the Guidelines adopted in Resolution E-5076. SCE requested that the Native American Heritage Commission identify Tribes with potential ancestral interest in the Property, and on December 13, 2023, SCE sent letters to the contacts for the identified Tribes informing them of SCE's intent to sell the Property.[52] SCE also sent follow-up letters on January 16, 2024. The Gabrieleño Band of Mission Indians – Kizh Nation contacted SCE to inquire about the reasons for the sale

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[49] *See* https://www.cpuc.ca.gov/about-cpuc/divisions/office-of-the-tribal-advisor/tribal-land-transfer-policy, accessed on August 18, 2026.

[50] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/tribal/final-land-transfer-policy-116.pdf, accessed on August 18, 2026.

[51] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/resolution-e-5076.pdf, accessed on August 18, 2026.

[52] Application, at 7.

but stated that it was not interested in purchasing the Property.[53] No other Tribal representative responded to those notices.

As discussed above, SCE took the Property off the market in 2024. When SCE restarted the sale process, SCE sent a second round of letters on April 17, 2025 advising identified Tribes that the Property would again be marketed for sale.[54] On April 24, 2025, Allison McAdams of the Santa Ynez Band of Chumash Indians advised that the Tribe did not have an interest in purchasing the Property, and no other Tribes responded in any way.[55] SCE then sent revised notices on April 28, 2025 correcting an error in the response deadline and sent follow-up letters on May 28, 2025.[56] SCE did not receive any further correspondence or responses from the Tribes following those notifications. The Commission should find that SCE has complied with the Tribal Land Transfer Policy for purposes of this transaction.[57]

E. The Proposed Transaction Complies Or Otherwise Does Not Conflict With The Commission's Environmental And Social Justice Action Plan.

The Commission should also find that the transaction complies with and does not conflict with the Commission's ESJ Action Plan.

As explained on the Commission's website, the ESJ Action Plan establishes a series of goals related to health and safety, consumer protection, program benefits, and enforcement in all

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[53] *Id*.

[54] Application, at 8.

[55] *Id*.

[56] *Id*.

[57] No party has argued or provided any testimony alleging that SCE failed to comply with the Tribal Land Transfer Policy or the implementing guidelines set forth in Resolution E-5076.

the sectors the CPUC regulates.[58] The Commission defines ESJ Communities as those where residents are predominantly communities of color or low-income; underrepresented in the policy setting or decision-making process; subject to a disproportionate impact from one or more environmental hazards; and likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities.[59] The Commission website also states that such communities may also include: a) Disadvantaged Communities (defined pursuant to CalEnviroScreen 4.0 as census tracts that score in the top 25% of CalEnviroScreen 4.0, those that score within the highest 5% of CalEnviroScreen 4.0's Pollution Burden but do not receive an overall CalEnviroScreen score, census tracts identified as Disadvantaged Communities in CalEnviroScreen 3.0, and areas under the control of federally recognized Tribes); b) all Tribal lands; c) low-income households (defined as household incomes below 80 percent of the area median income); and d) low-income census tracts (defined as census tracts where aggregated household incomes are less than 80 percent of area or state median income).[60]

For this transaction, the Commission should find that the proposed sale of the Property would not be inconsistent with the ESJ Action Plan. The Property is not located in a disadvantaged community in the top 25 percent of communities identified by CalEnviroScreen, is not located in a qualifying low-income community, and is not located on Tribal lands.[61] In

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[58] The ESJ Action Plan goals are: 1) Consistently integrate equity and access considerations throughout CPUC proceedings and other efforts; 2) Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health; 3) Strive to improve access to high-quality water, communications, and transportation services for ESJ communities; 4) Increase climate resiliency in ESJ communities; 5) Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs; 6) Enhance enforcement to ensure safety and consumer protection for ESJ communities; 7) Promote high road career paths and economic opportunity for residents of ESJ communities; 8) Improve training and staff development related to ESJ issues within the CPUC's jurisdiction; and 9) Monitor the CPUC's ESJ efforts to evaluate how they are achieving their objectives. (*See* https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan, accessed on August 17, 2026.)

[59] *Id.*

[60] *Id*.

[61] Application, at 8-9.

addition, the sale is not expected to adversely affect the surrounding community because it involves the transfer of an existing office building in an established office park to a purchaser who SCE understands plans to continue its use as an office building. As a result, the transaction may in fact have a positive local economic effect by revitalizing a currently under-utilized property and, assuming the Purchaser uses it as expected, bringing additional activity to the surrounding community and local businesses.[62]

V.

CONCLUSION

The sale of the North Coast Property is in the public interest because SCE no longer needs the Property for utility operations, the sale will not impair safe and reliable utility service, and the transaction is the lowest-cost alternative for customers when compared to retaining the Property or waiting to sell it. The transaction will reduce SCE's long-term real estate operating costs, retire rate base associated with the Property, and avoid future property taxes and operating and maintenance expenses. The sale of an office building no longer needed for utility operations is routine and the Commission should approve the application of its gain-on-sale framework to the allocation of the loss.

[62] No party has argued or provided any testimony alleging that the proposed transaction would be inconsistent with the Commission's Environmental and Social Justice Action Plan.

Accordingly, SCE respectfully requests that the Commission: a) approve the sale of the Property to the Purchaser; b) approve SCE's proposed ratemaking treatment for the transaction; c) find that the transaction does not require additional CEQA review; d) find that SCE complied with the Tribal Land Transfer Policy; and e) find that the proposed transaction complies with any and all other applicable Commission requirements, including but not limited to the Commission's ESJ Action Plan.

Respectfully submitted,

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