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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.	Application 25-12-015

REPLY BRIEF OF SMALL BUSINESS UTILITY ADVOCATES

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SBUA
Small Business Utility Advocates

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I. INTRODUCTION AND OVERVIEW

Small Business Utility Advocates' (SBUA) Opening Brief urged the California Public Utilities Commission (Commission) to approve Southern California Edison Company's (SCE) proposed sale of the North Coast Property (Property) only with ratemaking protections that prevent ratepayers from absorbing losses caused by SCE's management decisions. SBUA does not oppose the sale. It opposes SCE's proposal to place the after-tax loss on ratepayers and asks the Commission to allocate that loss to shareholders.

In this Reply Brief, SBUA focuses on points raised in SCE's Opening Brief. SCE frames the transaction as a routine asset disposition involving an approximately $1.4 million customer-allocated loss. That framing is too narrow. SBUA's evidence shows that the broader economic loss from SCE's extended disposition process is approximately $5.846 million. Management delay, followed by an additional loss SCE now seeks to charge to ratepayers, cannot be treated as routine.

II. ARGUMENT

SCE's opening brief suggests that the transaction to sell its North Coast Property is a routine divestment of property after a thorough evaluation of alternatives. At its core, the story is SCE management's delay in deciding to divest of the Property. That created financial implications once SCE's financial argument is a strict examination of funds to change hands in 2026. In this understanding, the utility is focusing on how to divide a $1.4 million loss. However, uncontested testimony shows the loss is closer to $5.5 million over years of delay

The underpinning of SCE's legal argument is to push narrow interpretation of interpret Sec. 451 separate from the Commission's reserved discretion. SBUA asks the Commission to examine the totality of the SCE transaction process from its inception, through 40 months of equivocating, to SCE's current attempt to place the cost of equivocating on ratepayers.

A. SCE's Extensive Economic Loss Cannot Be Treated as Routine

During the 40-month delay between identifying the Property as surplus and finding a potential buyer, the North Coast Property has accrued costs. Uncontested SBUA testimony shows total ratepayer cost is approximately $5.85M, of which the Commission has been asked to rule on only the last $1.4M.

The total costs come from a combination of the final after-tax loss on the sale, the carrying costs associated with keeping the Property on SCE's books, and the reduction in sale price due to deferred maintenance. The total amount is over three times the $1,401,134 that SCE's brief actually addresses. SCE has not refuted the larger number, or the itemized losses to ratepayers over the term of SCE's delay. SCE has only contested that these are not calculations that they use.

Table 1. Total Ratepayer Cost of the North Coast Transaction[1]

Component	Basis	Amount
Revenue requirement recovered through BRRBA for the loss on sale	Customer-allocated after-tax loss of $1,401,134 × 1.38857 gross-up factor (Application Appendix C, lines 6–7)	$1,945,576
Revenue requirement on $8.37M surplus rate base, 2024	SCE's stated ~$1.3M/year revenue-requirement reduction expected upon retirement (Application § IV)	$1,300,000
Revenue requirement on $8.37M surplus rate base, 2025	Same basis	$1,300,000
Revenue requirement on $8.37M surplus rate base, 2026	Same basis, through projected December 31, 2026 closing	$1,300,000
Property taxes and O&M, 2024–2026	Carrying costs SCE acknowledges the sale will eliminate (Application § IV)	Not quantified in Application
TOTAL ESTIMATED RATEPAYER COST		**≈ $5,845,576 plus unquantified carrying costs**

By focusing on simply a loss accrued at the point of sale in 2026, SCE's application does not reflect the management decisions that extended the amount of time it took to sell the Property. Narrowing the view to simply loss at current value omits multiple warnings that SCE had about a weakening market, missed opportunities to move with haste, or the value lost to inflation while riding the market down. Part of the balancing that the Commission examined in

[1] SBUA-01 at 19.

setting the ratepayer/shareholder split in D.06.05.041 was "prudent property management" versus incentives to sell that to "skew management decisions."[2] In its discretion, the Commission should refute SCE's narrowing of the conversation and ask difficult questions about the costs of a long delayed sale.

1. SCE's correction from $1.3M to $1.0M revenue requirement is unsupported and undermines the rest of its argument

On the day of filing Opening Briefs, SCE emailed the service list to highlight an error in the estimated revenue requirement. SBUA had already filed an Opening Brief, therefore requests the opportunity to discuss the corrected figure for the first time in this reply.

First, the reduction figure is a novel calculation, unsworn, uncited to any exhibit, and presented after the record closed. Neither the applicant's email notice nor opening brief provides details of the calculation that would allow for substantiation. There is no part of the evidentiary record that supports the figure.

In its discussion of the change, SCE contradicts earlier statements. Earlier in its brief, among its determinations for selling the Property to Rebecca S. Rowe, SCE lists "b) retiring the Property's rate base would result in a revenue requirement reduction"[3] as second among weakening demand for office buildings and avoiding expenditures.

At the same time, the correction discussion states "The revenue requirement reduction was not used in SCE's loss-on-sale calculations or in SCE's alternatives analysis."[4] There is no consistency between the applicant's statement that a revenue requirement reduction was a

[2] D-06-12-043 at 6.
[3] Brief at 5.
[4] Brief at 10.

determination in its decision to sell and its current correction that the revenue requirement reduction was not a part of its calculations or analysis.

B. SCE's Extended Disposition Process Cannot Be Treated As Routine

The applicant's Opening Brief says the company, "steadfastly navigated a challenging property sale environment" and "undertook a thorough evaluation of alternative approaches."[5] In the course of developing its timeline through application, discovery, and now opening brief, conflict and passiveness in SCE's timeline undercut its claims of steadfastness and thoroughness.

1. Delays in the sale of the Property are the responsibility of SCE

The entire timeline of selling the North Coast Property was entirely in the control of SCE and SCE's leadership.

SCE's brief discusses the shift in workforce needs as a passive observer, burying multiple leadership decisions. There is no contention that COVID-19 pandemic resulted in changing desires among employees. The applicant downplays its own role in responding to those needs, passively stating: "SCE's workforce shifted to more remote and hybrid work modes, as well as space sharing and 'hoteling' practices when in the office."[6] The pandemic may have triggered the reassessment of office use, but the timing and implementation choices that followed were management decisions. SCE decided when the Property could be vacated and marketed. Those choices drove the disposition timeline, and SCE leadership delayed.

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[5] Brief at 2
[6] Brief at 3.

SCE discusses the delay from 2022 through 2023 in selling the Property as not just an internal review process, but also occurring "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,"[7] Again, passively observing several overlapping complications that are all controllable by SCE because T&D is a division of SCE. And then the division was not ready to leave the building when a first bid to purchase the Property arrived in June 2024.

The delay of "several months"[8] between pulling the offer in June 2024 and re-initiating notification process with Tribes in April 2025 is underplayed. This is a 10-month delay. As SUBA testimony showed, the Property accrued costs during the delay, including holding costs, revenue requirement, deferred maintenance. Additionally, during the "several months" of delay, SCE completed the sale and initiated ratesetting for its properties at the Irwindale Business Park and the General Office Building #5. Based on the timelines in the ratesetting decisions, their contracts for sale were entered in August 2024[9] and October 2024.[10] At that time, SCE knew the market was weak because part of the justification for taking the loss on GOB#5 was "SCE and its commercial real estate broker, Coldwell Banker Richard Ellis, do not foresee the demand for office buildings strengthening over the next several years, suggesting that waiting to sell the Property is unlikely to yield a higher sales price."[11] Delay at North Coast while selling elsewhere was a management decision.

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[7] Brief at 4.
[8] Brief at 4
[9] D-25-011 at 1.
[10] D-25-06-016 at 2.
[11] D-25-07-011 at 5.

Finally, SCE attempts to emphasize procedural steps and land disposition requirements in its timeline. SBUA does not contest the accuracy or adequacy of SCE's Tribal outreach or consistency with the ESJ Action Plan. However, over the 40-month disposition period, administrative requirements represent a small delay compared to the extensive time spent on SCE's decision making process. A first outreach to Tribes was undertaken concurrent with marketing the Property in early 2024.[12] A second outreach was made in April and May 2025.[13] Out of 40 months of delay, administrative requirements only appear to have taken four months at most. The other 36 months were the responsibility of SCE management.

2. SCE's current story of its decision to decline a sale in 2024 includes irreconcilable conflicts

A turning point in SCE's decision to sell the Property occurred in November 2023 when it moved from simply identifying the Property as surplus to making the decision to sell. SCE says that "by November 2023 SCE determined that the Property, and the building in particular, were no longer needed for SCE staffing needs." Eight months later, in June 2024, SCE paused the marketing process and declined an initial offer to purchase.

The reason for declining the June 2024 sale has changed from application to this opening brief. The applicant's original application, which stated: "SCE determined that the increased offer was still not satisfactory and, due to the low demand for office space in Los Angeles, additional offers were not foreseen at the time. As a result, SCE let the offer expire and paused marketing efforts for the Property."[14] Although this line is cited in the Opening Brief footnotes, the story changes to "SCE received one offer in June 2024 but paused marketing of the Property

[12] Brief at 4.
[13] Brief at 4.
[14] Application at 3

after determining that SCE had continued operational needs for the office space."[15] This version is more in line with what was revealed in Discovery, where "no financial analysis of the rejection was performed."[16]

SCE contends that the November 2023 decision to sell led to the June 2024 initial bid which was ended for operational rather than financial reasons. SBUA does not contest the accuracy of either date. Unfortunately, both cannot be correct as "prudent and reasonable" steps towards disposition. If SCE was prepared to dispose of the Property in November 2023 to the point it was beginning the outreach and land disposition process, then it failed to adequately address staffing and operational needs by June 2024. A failure that added a year to the disposition process before the Property was marketed again. Alternately, if the Property was not prepared to be disposed in 2023, then SCE's Corporate Real Estate Strategy was deeply flawed and could not have been an adequate and trustworthy analysis of the company's real estate needs. Either way, these failures should not fall as burdens on ratepayers.

C. The Commission has Discretion To Reallocate Losses in Non-Routine Ratesetting

SBUA does not contest that the North Coast building should be sold under the terms of Section 851. SBUA argues SCE management's delay in sale has racked up extraordinary losses, ones that move this transaction outside of being "routine" under interpretations of Section 451, which is never addressed in SCE's Opening Brief.

As stated in SBUA-01, Section 451 of the California Public Utilities Code requires that all charges demanded from ratepayers be just and reasonable. Conversely, every unjust or unreasonable charge is unlawful. The Commission must examine the specific facts.

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[15] Brief 4
[16] SBUA-01 at 9

Through testimony, SBUA has shown the impact on ratepayers is not the result of unavoidable costs, it is "the result of actions by SCE management to waffle on the adoption of a hybrid work policy, vacate a building, and sell it into a historically distressed office market."[17]

SCE argues that, under D.06.05.041, given thresholds of a sale under $50M and a loss under $10M, selling the Property is a routine transaction that should hold to routine allocation of losses. However, this sale differs significantly. A deliberate workforce policy decision rendered the building surplus. An extended period of inaction and deferred maintenance engaged while the market fell. SCE management decided to start a sale, then waffled, then forgot there were people still working in the building while there was a bid sitting on the table to sell the building. Much of this is not routine.

The Commission's obligation under a D.06.05.041 standard is not satisfied simply because a proposed charge falls within an established ratemaking category. The Commission stated in that decision: "We have discretion to adopt a gain or loss allocation methodology that reflects the regulatory compact into which utilities enter."[18] The Commission was explicit that its default applies to "routine" sales and that it cannot anticipate every circumstance warranting a departure. The routine sale that Decision 06-05-041 was designed to govern is one where a utility disposes of Property that has outlived its operational purpose in the ordinary course of asset management, and where the resulting loss reflects market conditions rather than a specific management choice. Therefore, SCE's argument that routine ratesetting for a routine transaction fails.

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[17] SBUA-01 at 20.

[18] Decision 06-05-041, Section VI.C.1 (May 2006). The Commission also stated: "We cannot predict in advance every extraordinary circumstance to which our general rule will not apply."

SCE concedes that D.06-05-041 provides exceptions in the event of "extraordinary circumstances."[19] North Coast's delayed sale and mounting cost to ratepayers should be considered a most extraordinary circumstance. Here, the revenue requirement impact is not the result of market loss that was unavoidable, an asset retirement required by regulation, or a disposal driven by operational need. It was a sequence of delays due to SCE management decisions.

1. SCE's listed prior Commission decisions illustrate the departure from "routine" presented by this Property sale

SCE presents a list of prior Commission decisions used to illustrate "the routine transaction contemplated by the Commission's gain-on-sale policy."[20] However, each Commission decision listed illustrates how SCE's delays were pervasive and self-inflicted, and therefore, not routine.

First, as pointed out in SBUA's testimony, SCE treats D.06-05-041's gain-on-sale division as perfunctory once the thresholds of sale price and profit/loss are met. It is not perfunctory. The Commission's decision called a 50/50 split (later corrected to 67/33)[21] a general rule and stated "we cannot predict in advance every extraordinary circumstance in which this general rule will not apply."[22] In addition to carving out exceptions for everything from old electric poles to nuclear power plants, the Commission identified issues like mismanagement and risky, non-utility related ventures as reasons to find a transaction is not routine.

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[19] Brief at 8.
[20] Brief at 13
[21] *See* D.06-12-043.
[22] D.06-05-041 at 3.

SCE proceeds to list several cases that were routine. In D.25-09-012 and D.26-08-014, the Commission permitted the gain-on-sale calculation for divesting of utility infrastructure including several 100-year old dams. These cases do appear to be well within the general rule established by D.06-05-041, analyzing the future costs of rehabilitating regular utility structures, concluding what was more cost effective for ratepayers, then making a timely sale even at a loss. Aging dams are very different than electing to sell an office building into a weakening market after taking years to decide telework policies.

In D.25-06-016, SCE sold its Irwindale Business Center at an after-tax loss of $2.7M that was allocated routinely between ratepayers and shareholders. In D.25-07-011, SCE sold its lease interest in General Office Building #5 (GOB#5) at a loss of $27M. Those prior decisions applied the Commission's general allocation rule to the records presented in those proceedings. They do not establish that the same treatment is warranted here, where SBUA has presented evidence of an extended, management driven delay and resulting costs to ratepayers.

However, comparing the timelines, the records do not show two extra years of management delay and reversals about selling Irwindale or GOB#5. Based on the timelines in the decisions, their contracts for sale were entered in August 2024[23] and October 2024.[24] At that time, SCE knew the market was weak because part of the justification for taking the loss on GOB#5 was "SCE and its commercial real estate broker, Coldwell Banker Richard Ellis, do not foresee the demand for office buildings strengthening over the next several years, suggesting that waiting to sell the Property is unlikely to yield a higher sales price."[25] The negotiation and sales in these cases coincided with the first failed attempt to sell the North Coast Property in July

[23] D.25-07-011 at 1.
[24] D.25-06-016 at 2.
[25] D.25-07-011 at 5.

2024. SCE withdrew that marketing because North Coast was still being used, though it knew the market was failing. SCE was using a weakening market to justify losses on Irwindale and GOB#5 while it failed to work with reasonable haste to sell North Coast. Irwindale or GOB#5 simply did not suffer from the same "prudent and reasonable" analysis that occurred at the North Coast Property.

In D.26-08-008, the utility was approached by a private developer whose permits were conditioned on securing access easements to a parcel over SCE property. There was no management decision over surplus property or remote work, SCE maintains ownership of the land and essentially got a check for letting a developer build a road. In that case, SCE summarized D.06-05-041 as giving the Commission "broad discretion to determine whether it is in the public interest and may, where necessary and appropriate, attach conditions to a transaction to protect and promote the public interest."[26] SBUA asks the Commission to exercise that discretion here, and deny burdening ratepayers with the cost of SCE management's delays.

III. CONCLUSION

For the foregoing reasons and those stated in SBUA's Opening Brief, SBUA respectfully requests that the Commission adopt the recommendations as set forth in SBUA's Opening Brief.

[26] D.26-08-008 at 4.

Respectfully submitted,

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