Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY (U338E) a California Corporation, for an Order Authorizing the Sale and Conveyance of Certain Electric Streetlight Facilities Pursuant to Public Utilities Code Section 851.	Application 17-09-018

DECISION AUTHORIZING SALE OF ELECTRIC STREETLIGHT FACILITIES FROM SOUTHERN CALIFORNIA EDISON COMPANY TO THE CITY OF SANTA CLARITA

Summary

We authorize the sale by Southern California Edison Company of certain electric streetlight facilities to the City of Santa Clarita, pursuant to Public Utilities Code Section 851. We order that the entire gain on sale of the facilities shall be allocated to the shareholders of Southern California Edison Company. The proceeding is closed.

1. Procedural History

On September 25, 2017, Southern California Edison Company (SCE) filed an application for authorization to sell certain electric streetlight facilities (Streetlight System) to the City of Santa Clarita (Santa Clarita). The Streetlight System is essentially comprised of 16,125 streetlight units.

The application states that the Streetlight System has a net book value of $8,342,228. The proposed sale price is $9,573,728, which is the sum of a

$9,055,309 purchase price and a $518,419 severance cost. This would result in a pre-tax gain of $713,081, and produce an after-tax gain of $0.

The application further states that as a result of the sale, SCE's authorized rate base would decrease by $8,342,228, and SCE's base rate revenue requirement would decrease by $1,264,000.

On December 14, 2017, a prehearing conference was conducted with both SCE and Santa Clarita attending. No other parties have joined the proceeding.

On January 23, 2018, a Scoping Memo and Ruling was issued. It determined that the matter stood submitted as of January 23, 2018.

2. Discussion

SCE seeks Commission approval under Public Utilities Code Section 851 for the sale of the Streetlight System to Santa Clarita. "The primary question for the Commission in § 851proceedings is whether the proposed transaction serves the public interest: 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."[1]

SCE asserts that this transaction serves the public interest in that after the sale, Santa Clarita will continue to make productive use of the Streetlight System while realizing a lower overall cost to operate and maintain it.[2] Moreover, the application states that the sale of the Streetlight System would not adversely affect existing ratepayers, and that customers would not see a decline in service

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[1] *Application of San Diego Gas & Elec. Co. (U902E) for Approval Pursuant to Public Utilities Code Section 851 to Lease Transfer Capability Rights to Citizens Energy Corp.*, Decision (D.) 11-05-048 (2011) at 7 (quoting D.09-04-013).

[2] Application at 3.

or an increase in costs.[3] We conclude that there is no reason to believe that SCE's utility operation or ability to service its customers will be negatively affected after the sale.

The Commission's *Redding II* decision[4] sets forth the standard as to when the gain on sale of a utility's distribution system, such as the streetlights at issue here, accrues to shareholders, rather than to customers. The factual circumstances under which the gain on sale accrues to shareholders are:

a) A distribution system of a public utility (i.e., gas, electric, or water utility) is sold to a municipality or some other public or governmental entity, such as a special utility district;

b) The distribution system consists of part or all of the utility operating system located within a geographically defined area;

c) The components of the system are or have been included in the rate base of the utility; and,

d) The sale of the system is concurrent with the utility being relieved of, and the municipality or other agency assuming, the public utility obligations to the customers within the area served by the system.[5]

Here, SCE's sale of the Streetlight System to Santa Clarita meets each of these basic requirements set forth in *Redding II*.

Regarding possible environmental analysis, the Commission must consider whether, in an instance such as this, a transfer of utility assets to a public agency requires an environmental review by the Commission pursuant to the California

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[3] Application at 10.

[4] *Rate-making Treatment of Capital Gains Derived from the Sale of a Public Utility Distribution System Serving an Area Annexed by a Municipality or Public Entity,* 32 CPUC2d 233, D.89-07-016. (1989), *aff'd*, D.06-05-041 *(Redding II).*

[5] *Id.*

Environmental Quality Act (CEQA). (*See*, generally, Public Resources Code § 21000 *et seq*. (Pub. Res. Code).) There are two paths for determining exception from environmental review under CEQA; ultimately, the analyses for these paths are quite similar (indeed, the standard of the latter subsumes the standard of the former), and therefore their test applications will be simultaneously addressed.

First, under California Code of Regulations (CCR) § 15060(c)(3), "[a]n activity is **not subject** to CEQA if… [t]he activity is not a project as defined in Section 15378." (Bold added.) § 15378 defines "project" to mean having "a potential for resulting in either a direct change in the environment, or a reasonably foreseeable indirect physical change in the environment…"[6] (§ 15378 goes on to enumerate additional necessary criteria, which we need not explore due to the failure of the first condition as set forth below.)

Second, under CCR § 15061(b)(3), "[a] project is **exempt** from CEQA if… it can be seen with certainty that there is no possibility that the activity in question may have a significant impact on the environment…" (Bold added.) Because the criteria for this second test is more absolute in its nature, it will be the focus of the further discussion.

Here, we review a transfer of assets -- specifically, a number of streetlights -- from a utility to a city. We learn that the uncontested application asserts that Santa Clarita will use and maintain the Streetlight System in the same manner as SCE; that Santa Clarita has no plans to install any new or additional

[6] "Whether an activity constitutes a project subject to CEQA is a categorical question respecting whether the activity will actually have environmental impact." (*Muzzy Ranch Co. v. Solano County Airport Land Use Com.* (2007) 41 Cal.4th 372, 381.)

equipment; and that the change in ownership will not result in any significant affect on the environment.[7]

From this uncontested record, we conclude that the Streetlight System will continue to be used exactly as it has been. Therefore, we also must necessarily conclude that the steeper criteria of CCR § 15061(b)(3) has been met, in that "it can be seen with certainty that there is no possibility that the activity in question" -- the proposed transfer of the Streetlight System -- "may have a significant impact on the environment."

Therefore, based upon the record, measured upon the applicable CEQA guidelines, we determine that this transfer is not subject to CEQA, as the transfer is both expressly exempt from CEQA (under § 15061(b)(3)) and the transfer is expressly not subject to CEQA (under § 15060(c)(3)). Consequently, the Commission will not perform further review of the transfer's environmental impact.

3. Conclusion

For the foregoing reasons we conclude that the proposed sale is not adverse to the public interest.

For the foregoing reasons we also conclude that all requirements of *Redding II* have been met in the proposed sale of the Streetlight System to Santa Clarita, the transaction should be approved and all gain on sale assigned to the shareholders of SCE.

For the foregoing reasons we also conclude that the proposed sale is not subject to CEQA and exempt from CEQA.

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[7] Application at 9.

For the foregoing reasons we also conclude that the proposed sale raises no safety considerations.

4. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

5. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Jason Jungreis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The net book value of the Streetlight System is $8,342,228.
2. The sale price of the Streetlight System is $9,573,728, which is the sum of a $9,055,309 purchase price and a $518,419 severance cost.
3. The net sales proceeds are $9,055,309.
4. The pre-tax gain on sale is $713,081.
5. The after-tax gain on sale is $0.
6. As a result of the sale, SCE's authorized rate base would decrease by $8,342,228.
7. As a result of the sale, SCE's base rate revenue requirement would decrease by $1,264,000.
8. The Streetlight System is a distribution system located within a geographically defined area.

Conclusions of Law

1. The entire gain on sale belongs to the shareholders of SCE.
2. The sale of the Streetlight System should be approved.

O R D E R

IT IS ORDERED that:

1. The proposed sale of certain electric streetlight facilities is approved.
2. All gain on sale generated by the sale of certain electric streetlight facilities is allocated to the shareholders of Southern California Edison Company.
3. Application 17-09-018 is closed.

This order is effective today.

Dated _____, at Fontana, California.