

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN
CALIFORNIA EDISON COMPANY
(U 338-E) for Approval Under Public
Utilities Code Section 851 to Sell
Certain Hydroelectric Power Plants to
San Bernardino Valley Municipal
Water District.

Application 24-08-012

**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY
TO SELL CERTAIN HYDROELECTRIC POWER PLANTS TO
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT UNDER
PUBLIC UTILITIES CODE SECTION 851**

Summary

This decision grants the request of Southern California Edison Company pursuant to the California Public Utilities Code Section 851 to sell its Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants and associated electric facilities to San Bernardino Valley Municipal Water District.

This proceeding is closed.

1. Background

1.1. Factual and Procedural History

Southern California Edison Company (SCE) owns the Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants and associated electric facilities (Small Hydro Facilities).¹ They are located in Los Angeles and San Bernardino counties.² All of these Small Hydro Facilities other than Santa Ana River 3 are approximately 100 years old.³ Six of the facilities are currently operating, while Santa Ana River 1 has a damaged penstock and is non-operational.⁴

SCE states it has found that while its large-scale hydroelectric facilities continue to economically benefit SCE customers, its small hydroelectric facilities no longer provide value. Most of the Small Hydro Facilities entered into operation approximately 100 years ago.⁵ As they have aged, SCE contends that the Small Hydro Facilities have demanded increasing capital investment to maintain and license.⁶ However, they continue to operate inflexibly and inefficiently compared to SCE's other hydroelectric facilities.⁷ SCE states that it

¹ SCE operates 25 hydroelectric plants. Ex. SCE-1 at 1.

² See *id.* at 9-12.

³ See *ibid.* (Mill Creek 1 began operations in 1893; Mill Creek 3 began operations in 1903; Ontario 1 began operations in 1902; Ontario 2 began operations in 1918; Santa Ana River 1 began operations in 1896; Santa Ana River 3 began operations in in 1999; Sierra began operations in 1922).

⁴ *Id.* at 8.

⁵ See Ex. SCE-1 at 9-12. Santa Ana River 3 was put into operation in 1999.

⁶ *Id.* at 4.

⁷ *Ibid.*

has several options regarding the facilities: (a) continue operating, refurbish and/or relicense, (b) sell, or (c) decommission.⁸ The Federal Energy Regulatory Commission (FERC) licenses for Mill Creek 3 and the Santa Ana River facilities will expire in 2033. The remaining four facilities are not FERC licensed.⁹ Using a Present Value of Revenue Requirement (PVRR) analysis, SCE determined that selling the Small Hydro Facilities is the least-cost option for its customers.¹⁰

On June 24, 2024, SCE executed an Asset Purchase Agreement with the San Bernardino Valley Municipal Water District (SBVMWD) to sell the Small Hydro Facilities. On August 28, 2024, SCE filed Application (A.) 24-08-012 requesting authorization to sell the Small Hydro Facilities to SBVMWD.¹¹ SBVMWD intends to restore the damaged penstock and continue operating the facilities in accordance with their existing use.¹²

⁸ *Ibid.*; see Pub. Util. Code § 451 (requiring public utilities to “furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities . . . as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public”).

⁹ Ex. SCE-1 at 8.

¹⁰ *Id.* at 19.

¹¹ SBVMWD is a regional agency responsible for planning long-term water supply for San Bernardino Valley. SBVMWD is empowered to import water to its service area and manage groundwater storage, wastewater and storm water disposal, park and recreation water use, power generation and distribution, electrical production and transmission, and fire protection services. See Ex. SCE-01 at 15.

¹² SCE Application at 6. SCE evaluated six potential buyers before electing to complete the Proposed Sale to SBVMWD. For a detailed description of the selection criteria that SCE used, see, Ex. SCE-1 at 13-15.

SCE proposes selling the Small Hydro Facilities to SBVMWD at a negative purchase price of \$34.173 million (Proposed Sale).¹³ Accordingly, SCE proposes a ratemaking adjustment to recover its accounting loss on the Proposed Sale.¹⁴

On September 30, 2024, TURN filed a protest letter requesting that SCE confirm that SBVMWD will assume all obligations for future decommissioning costs.¹⁵ SCE responded on October 10, 2024, confirming that SBVMWD would assume all future cost obligations for the facilities including decommissioning costs under the terms of the Asset Purchase Agreement.¹⁶ Cal Advocates was granted party status on November 7, 2024.¹⁷

On November 14, 2024, a prehearing conference was held to address issues of law and fact, determine the need for an evidentiary hearing, and set the proceeding schedule. TURN indicated that SCE had sufficiently addressed the concerns raised in its protest and it would be switching from party to information only.¹⁸ Cal Advocates sent an all-party email on December 5, 2024, indicating it would not submit testimony.

¹³ Ex. SCE-1 at 22.

¹⁴ SCE Application at 4-5; Ex. SCE-1.

¹⁵ TURN Protest at 2.

¹⁶ SCE Response to TURN Protest at 2-3 (“SBVMWD shall assume, and agrees to pay all of, SCE’s liabilities of ‘every kind, nature, character, and description relating to, arising from or associated with the [Small Hydro Facilities]. . .’ regardless of when such liability is incurred. The liabilities assumed by SBVMWD include liabilities ‘relating to any shutdown or decommissioning of the [Small Hydro Facilities].’”); *see* SCE Application, Appendix A, Asset Purchase Agreement § 2.1.3(a).

¹⁷ Email Ruling Granting Public Advocates Office Motion for Party Status.

¹⁸ Reporter’s Transcript (Vol. 1) at 7:18-8:8.

A Scoping Memo and Ruling was issued on January 2, 2025. It determined that evidentiary hearings were not required.¹⁹ SCE submitted its opening brief on January 31, 2025. No reply briefs were filed. SCE filed a motion to submit prepared testimony supporting the Proposed Sale into evidence on March 19, 2025. On April 18, 2025, SCE moved to set aside submission of the proceeding to enter revisions to their least-cost calculation. No responses to either motion were filed. The motion was granted on July 14, 2025.²⁰

1.2. Submission Date

This matter was submitted on April 18, 2025, upon receipt of SCE's motion to reopen the record and enter additional evidence.

2. Issues Before the Commission

SCE seeks authorization from the Commission to execute the Proposed Sale and to implement its ratemaking proposal to compensate for its loss on the sale. The issues to be determined in this proceeding are:

1. Should the Commission approve the sale of the Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants and associated electric facilities to SBVMWD; and
2. Should the Commission approve SCE's proposed ratemaking of the Proposed Sale.

¹⁹ See Scoping Ruling at 2.

²⁰ Email Ruling Reopening the Record and Moving Testimony into Evidence.

3. Discussion

3.1. Approval of the Sale

To approve the Proposed Sale, the Commission must find that the Proposed Sale satisfies the requirements of Public Utilities Code Sections 851 and 853. Section 851 states, in relevant part, that:

A public utility . . . shall not sell . . . the whole or any part of its . . . plant, system, or other property necessary or useful in the performance of its duties to the public . . . 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.²¹

As a threshold matter, the Commission must determine whether Section 851 applies to the Proposed Sale. The Commission must find that the facilities in the transaction are useful, but not necessary, to SCE and that the Proposed Sale is valued at over \$5 million. The Commission must then find under Section 853 that the Proposed Sale is in the public interest.²²

3.1.1. Application of Section 851

To determine whether Section 851 applies to the Proposed Sale, the Commission first looks to whether the Small Hydro Facilities are “necessary or useful” for SCE’s performance of its duties to the public.²³ The facilities produce,

²¹ Pub. Util. Code § 851.

²² Pub. Util. Code § 853; *see also* D.20-09-027 at 6; D.20-11-024 at 15; D.04-11-019 at 8.

²³ D.22-11-002 at 6-7; D.03-02-022 at 2-3. The Commission typically considers whether facilities for sale are operational or reparable, as well as the quantity of energy that facilities produce. *See* D.22-11-002 at 5-6; 896 D.20-09-027 at 4-5.

in aggregate, 11.64 megawatts (MW) of power.²⁴ Six of seven facilities are operational, and one damaged facility is repairable.²⁵ Although the facilities are no longer necessary for the performance of SCE's public duty, the Commission finds they are "useful for [their] ability to generate hydroelectric power," including Santa Ana River 1 "when properly repaired."²⁶

Next, the Commission must determine whether the Proposed Sale is valued at or above \$5 million.²⁷ To do so, the Commission typically looks at the value of the property and the pre- and post-tax gain or loss from the sale.²⁸ SCE will incur an aggregate pre-tax loss of \$60.3 million on the Proposed Sale.²⁹ This represents an approximately \$44.89 million after-tax loss for SCE customers.³⁰ Therefore, under Section 851, the Commission must issue an order authorizing the Proposed Sale because its value exceeds \$5 million.³¹

3.1.2. Public Interest Assessment

After determining that the facilities are eligible for sale and that Section 851 requires SCE to obtain a Commission order authorizing the Proposed Sale, the Commission must determine that the sale is in the public interest.³² The

²⁴ Ex. SCE-1 at 7 (not factoring in capacity loss while Santa Ana River 1 is damaged).

²⁵ *Id.* at 8.

²⁶ See D.22-11-002 at 5-6; D.20-09-027 at 4-5.

²⁷ See D.22-11-002 at 6; D.20-09-027 at 5-6.

²⁸ See D.20-09-027 at 5; D.20-11-024 at 11-12.

²⁹ Ex. SCE-1 at 22 (Table V-3).

³⁰ *Ibid.*

³¹ See D.20-11-024 at 11-12; D.20-09-027 at 6.

³² See Pub. Util. Code § 853; D.20-11-024 at 12; D.20-09-027 at 6-7.

Commission will find that the Proposed Sale is in the public interest if the facilities are not “critical to system reliability” and the Proposed Sale is the least-cost option available.³³ A hydroelectric facility’s age, generation flexibility, and share of total utility energy output inform its total cost.³⁴

No parties contest the evidence that SCE has submitted to demonstrate the Proposed Sale is in the public interest under Section 853.³⁵ Most of the Small Hydro Facilities entered operation approximately 100 years ago.³⁶ They generate 11.64 MW of power, a minimal amount when compared to SCE’s collective hydroelectric production of 1,164 MW as well as other generation sources.³⁷

Additionally, the Small Hydro Facilities are largely diversion, or run-of-the-river, systems, meaning that they only generate power when water is flowing.³⁸ Their limited flexibility to generate power significantly reduces their efficiency relative to reservoir hydroelectric systems.³⁹ Based on their minimal production levels and limited flexibility, it is reasonable to consider the facilities non-core assets whose sale will not harm SCE’s provision of reliable and affordable energy to its customers.⁴⁰

³³ D.20-09-027 at 6; D.20-11-024 at 15; D.04-11-019 at 8.

³⁴ D.04-11-019 at 9-10; D.03-02-022 at 5.

³⁵ See Pub. Util. Code § 853.

³⁶ See Ex. SCE-1 at 9-12. Santa Ana River 3 was put into operation in 1999.

³⁷ *Id.* at 1, 7.

³⁸ Ex. SCE-1 at 3.

³⁹ *Ibid.*

⁴⁰ See *id.* at 1.

Further, the Proposed Sale is the least-cost option for SCE ratepayers. SCE conducted a PVRR analysis to determine the least-cost option to discharge its responsibilities relating to the facilities. It analyzed the cost of: (a) relicensing, (b) selling, or (c) decommissioning.⁴¹ SCE initially estimated that selling the Small Hydro Facilities would cost SCE \$26.6 million less than the lowest-cost alternative. SCE filed errata revising its estimated cost savings from \$26.6 million to \$24.4 million.⁴² Using the revised estimate, the Proposed Sale continues to be the least-cost option for each individual property.⁴³ No party objected to the revised estimate.

During the RFO process, Bodington & Company, on behalf of SCE, solicited bids from over 60 potential buyers and placed advertisements in industry news outlets.⁴⁴ Of the potential buyers, six parties submitted indicative proposals, and five parties submitted final bids.⁴⁵ Bodington & Company accurately assessed that all parties would bid negative purchase prices.⁴⁶ It is reasonable to find that \$34.17 million is a good faith value for the Small Hydro Facilities considering the number of indicative proposals submitted, the analyses

⁴¹ Ex. SCE-1 at 19.

⁴² *Ibid.* SCE discussed its error and errata submission with Cal Advocates prior to filing. Cal Advocates supported SCE's motion to re-open the record and correct the error. Cal Advocates did not respond to the motion. See SCE Motion to Reopen Record at 4.

⁴³ Ex. SCE-1 at 20.

⁴⁴ *Id.* at 13.

⁴⁵ *Id.* at 13-14.

⁴⁶ *Id.* at 15.

conducted by SCE and Bodington & Company, and the negative purchase prices recorded for analogous small hydroelectric facility sales.⁴⁷

SCE will record a \$60.3 million pre-tax loss on the Proposed Sale based on the negative sale price, the properties' combined value, and the interconnection and transaction fees arising from the Proposed Sale.⁴⁸ SCE proposes to sell the Facilities to SBVMWD at a \$34.17 million negative sale price.⁴⁹ The properties are valued at \$19.3 million.⁵⁰ SCE estimates that it will incur \$5 million in interconnection fees and \$1.8 million in transaction fees to execute the Proposed Sale.⁵¹ Their calculation is as follows:

Cost (millions)	Description
(34.17)	Negative sale price
(19.30)	Properties' value
(5.00)	Interconnection fees
(1.80)	Transaction fees
Total:	(60.27) SCE estimated pre-tax loss

SCE estimates that it will incur \$44.89 million in after-tax loss.⁵²

Considering SCE's calculations and participants' input, the Commission finds that SCE has adequately demonstrated that the Proposed Sale is the least-cost option among reasonable alternatives to discharge its obligations

⁴⁷ *Id.* at 13-15; *see* D.22-11-002 at 7; D.20-09-027 at 6-7; D.20-11-024 at 15.

⁴⁸ Ex. SCE-1 at 22.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

⁵¹ *Id.* at 22-23.

⁵² Ex. SCE-1 at 22.

relating to the Small Hydro Facilities. They provide relatively little power while requiring a high level of operating expenses. The Small Hydro Facilities are not necessary for the performance of SCE's public duties, and they do not benefit ratepayers. Further, SCE and SBVMWD negotiated a reasonable purchase price consistent with historic pricing for similar hydroelectric facility sales.

3.1.3. Conclusion

We find the Proposed Sale reasonable because this is the least-cost option for disposing of non-core, depreciated assets which no longer provide ratepayer benefits.

3.2. California Environmental Quality Act (CEQA) Exemption

To authorize the Proposed Sale, the Commission must additionally find that it complies with the California Environmental Quality Act (CEQA). SCE requests the Commission to find that the Proposed Sale is categorically exempt from CEQA review because the Proposed Sale does not contemplate expansion of the facilities' former use.⁵³ CEQA statutorily exempts from review "the operation, repair maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures." SBVMWD plans to repair the damaged penstock on the Santa Ana River 1 installation and resume the former use of the facilities without expansion of former use.⁵⁴ Therefore, we find the Proposed Sale exempt from CEQA review.

⁵³ Cal. Code Regs., tit.14, §§ 15000, et seq.; § 15301.

⁵⁴ SCE Application at 6; *see* D.22-11-002 at 10; D.20-09-027 at 7-8.

3.3. Proposed Ratemaking

Utilities allocate their loss on a sale according to the “percentage allocation rule” if the sale is priced at \$50 million or less with an after-tax gain or loss of \$10 million or less.⁵⁵ The percentage allocation rule applies as follows:

1. 100-percent allocation of loss on depreciable assets to ratepayers
2. 67-percent allocation of loss on non-depreciable assets to ratepayers; 33-percent allocation of loss on non-depreciable assets to shareholders.⁵⁶

For sales with an after-tax loss of \$50 million or less, the utility may seek allocation of the loss according to the same percentage allocation rule.⁵⁷ The Commission uses after-tax gain or loss on sales to determine whether a ratemaking proposal is reasonable.⁵⁸

SCE will incur an after-tax loss under \$10 million for each of the Mill Creek, Ontario, and Sierra facilities and an after-tax loss of \$31.84 million for the Santa Ana 1 & 3 facilities.⁵⁹ It will incur a total after-tax loss for all of the

⁵⁵ See D.06-12-041 at 96, Ordering Paragraph 4.

⁵⁶ *Ibid.*

⁵⁷ See D.06-12-043 at 21 (amending D.06-12-041 at 96, Ordering Paragraph 9).

⁵⁸ See D.06-05-41 at 48, 96; D.06-12-043 at 21 (amending D.06-05-41); D.22-11-002 at 8.

⁵⁹ Ex. SCE-01 at 22 (Table V-3). SCE will incur the following after-tax losses: Mill 1, \$1.2 million; Mill 3, \$4.85 million; Ontario 1, \$3.56 million; Ontario 2, \$1.71 million; Sierra, \$1.71 million.

facilities of \$44.89 million.⁶⁰ This translates to \$44.88 million in after-tax losses to ratepayers and \$0.01 million in after-tax losses to shareholders.⁶¹

SCE proposes that it adjust its rate base for 100 percent of the \$60.3 million pre-tax-loss-on-sale according to the percentage allocation rule for a depreciable asset.⁶² SCE asserts that the Commission has authorized such adjustments in past sales of small hydroelectric facilities.⁶³ In accordance with precedent and standing policy, the Commission finds this proposal reasonable.⁶⁴

The Commission authorizes SCE to recover its \$60.3 million pre-tax loss on sale by recording a debit in the Legacy Utility Owned Generation (UOG) subaccount of the Portfolio Allocation Balancing Account (PABA).⁶⁵ The Commission authorizes SCE to record another debit in the Legacy UOG subaccount of PABA to recover remaining regulatory tax assets related to the facilities.⁶⁶ The debits recorded in the PABA will be recovered from bundled and non-exempt departing load customers through generation and vintaged Power

⁶⁰ *Ibid.*

⁶¹ *Ibid.* Because SCE's losses from the sale arise almost entirely from depreciable assets, the "percentage allocation rule" will allocate nearly 100 percent of its losses to ratepayers. See D.06-12-041 at 96, Ordering Paragraphs 4, 9 (as amended by D.06-12-043 at 21).

⁶² Ex. SCE-1 at 23.

⁶³ See D.22-11-002 at 8.

⁶⁴ SCE-1 at 24; see D.20-11-024 at 17-18; D.20-09-027 at 8-10; D.22-11-002 at 8-9; D.19-10-011 at 10-11 (applying the "percentage allocation rule" to a sale incurring an after-tax loss over \$10 million and under \$50 million).

⁶⁵ SCE-1 at 23. SCE will recover amounts recorded in PABA from "bundled and non-exempt departing load customers through generation and vintaged Power Charge Indifference Adjustment (PCIA) rates."

⁶⁶ *Ibid.*

Charge Indifference Adjustment (PCIA) rates.⁶⁷ To compensate for differences in timing between when revenue recovered from customers is taxable and when the tax loss on the facilities is deductible, the Commission authorizes SCE to create an Accumulated Deferred Income Tax (ADIT) balance on the Proposed Sale. SCE may include the ADIT balance in its rate base until the book-tax timing differences unwind.

The Commission further accepts SCE's proposal to reduce its rate base by the Small Hydro Facilities' historical cost amount less (1) the depreciated value of the assets at close of sale and (2) deferred income taxes. Therefore, the Commission authorizes SCE to record a credit for \$2.2 million per annum in the PABA for the remaining periods in the 2025 GRC cycle upon close of the sale. This credit adjusts for the rate base and maintenance costs reductions arising from the Proposed Sale.

The Commission further finds it reasonable to require SCE to submit final loss-on-sale and tax calculations in a Tier 1 advice letter to the Commission's Energy Division within 60 days following closing of the Proposed Sale.⁶⁸

3.4. Tribal Land Transfer Policy

The Tribal Land Transfer Policy "creates an expectation that, for any future disposition of Real Property, [Investor Owned Utilities] will offer tribes a right of

⁶⁷ *Ibid.*

⁶⁸ See D.19-10-010 at 9; D.19-10-011 at 11-12; D.20-11-024 at 26; D.20-09-027 at 10-11; D.22-11-002 at 9.

first refusal before putting the property on the market.”⁶⁹ SCE received from the a list from the Native American Heritage Commission of Native American Tribes with a potential ancestral interest in the land.⁷⁰ SCE sent letters to the identified Native American Tribes informing them of the Proposed Sale on November 1, 2021 and December 6, 2021.⁷¹ SCE did not receive any responses.⁷² The Commission finds that the Proposed Sale satisfies the requirements of the Tribal Land Transfer Policy since no tribal governments have sought to exercise their right of first refusal or raise specific concerns within this application.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Thirteen public comments were submitted. Commenters expressed concern about the proposed rate increase and requested more information on how SCE calculated its price estimates for maintenance, relicensing, and decommissioning.

⁶⁹ 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, Cal. Pub. Utils. Comm’n (Dec. 5, 2019), <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/tribal/final-land-transfer-policy-116.pdf/>.

⁷⁰ SCE Application at 7.

⁷¹ *Id.* at 7-8, Appendix C and Appendix D.

⁷² *Id.* at 8.

5. Procedural Matters

All motions not ruled on by the assigned Commissioner or assigned Administrative Law Judge are deemed denied.

6. Comments on Proposed Decision

Pursuant to Rule 14.6(c)(2), if the Proposed Decision grants the relief requested in an uncontested matter, the public review and comment may be reduced or waived. Since this application is uncontested and this decision grants the Applicants' requested relief, the comment period for the Proposed Decision is waived.

7. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Marcelo Lins Poirier is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SCE owns the Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants.
2. Santa Ana River 1 has a damaged penstock and is non-operational. Santa Ana River 1 can be repaired to resume its former operation.
3. Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 3 and Sierra are operational.
4. The FERC licenses for Mill Creek 3 and Santa Ana River 1 and 3 expire in 2033.
5. The Small Hydro Facilities produce, in aggregate, 11.64 MW of power.
6. The collective production of SCE's hydroelectric facilities is 1,164 MW of power.

7. The Small Hydro Facilities are run-of-the-river non-flexible generation assets.

8. The Small Hydro Facilities are not necessary to maintain a reliable energy grid.

9. SCE evaluated six indicative bids and five final bids during the RFO process to sell the Small Hydro Facilities.

10. SCE executed the Asset Purchase Agreement with SBVMWD on June 24, 2024.

11. SBVMWD is a municipal water district responsible for long-term water planning for San Bernardino Valley.

12. SBVMWD intends to restore Santa Ana River 1.

13. SBVMWD intends to operate the Small Hydro Facilities in accordance with their historical operations.

14. SCE will sell the Small Hydro Facilities to SBVMWD for a negotiated sale price of \$34.17 million.

15. SCE will record a pre-tax loss of \$60.3 million on the Proposed Sale.

16. The total historical cost of the Small Hydro Facilities is approximately \$47.6 million.

17. The net book value of the Small Hydro Facilities is approximately \$19.3 million.

18. The Proposed Sale is the least-cost option among reasonable alternatives for discharging SCE's obligations to its ratepayers.

19. The Proposed Sale will save ratepayers \$24.4 million compared to the lowest-cost alternative.

20. SBVMWD will assume all obligations for future decommissioning costs.

21. SCE sent notifications of sale offering right of first refusal to the Proposed Sale to potentially interested Native American Tribes on November 1, 2021 and December 6, 2021, but received no response from any Native American Tribes.

22. The Proposed Sale will create differences in timing between when revenue SCE recovers from customers is taxable and when the tax loss on the Small Hydro Facilities is deductible.

Conclusions of Law

1. Section 851 applies to the Proposed Sale.
2. The Small Hydro Facilities are useful but not necessary for SCE's performance of its public duties.
3. The Proposed Sale meets the requirements of Section 851.
4. The Proposed Sale is in the public interest.
5. \$34.17 million is a good faith value for the facilities.
6. The Proposed Sale is categorically exempt under CEQA.
7. SCE's proposed ratemaking is reasonable.
8. SCE has satisfied its obligations under the Tribal Land Transfer Policy to offer Native American Tribes a right of first refusal to the Proposed Sale.
9. The Commission should authorize the Proposed Sale.
10. 100 percent of losses on depreciable assets should be allocated to ratepayers.
11. The Commission should approve SCE's proposed ratemaking.

12. All motions not specifically addressed herein or previously addressed by the assigned Commissioner or assigned Administrative Law Judge should be denied.

13. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pursuant to California Public Utilities Code Section 851, Southern California Edison Company is authorized to enter into the Asset Purchase Agreement, attached as Appendix A to this Application, with San Bernardino Valley Municipal Water District.

2. Southern California Edison shall recover the \$60.3 million loss from the sale of the Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants and associated electric facilities by recording a debit in the Legacy Utility Owned Generation subaccount of the Portfolio Allocation Balancing Account, to be allocated to bundled and non-exempt departing load customers.

3. Southern California Edison shall recover remaining regulatory tax assets from the sale of the Mill Creek 1, Mill Creek 3, Ontario 1, Ontario 2, Santa Ana River 1 & 3 and Sierra hydroelectric plants and associated electric facilities by recording a debit in the Legacy Utility Owned Generation subaccount of the Portfolio Allocation Balancing Account, to be allocated to bundled and non-exempt departing load customers.

4. Southern California Edison shall create an Accumulated Deferred Income Tax balance on the Proposed Sale for inclusion in its rate base until book-tax timing differences arising from cost recovery for the sale of the facilities unwind.

5. Within 60 days after the closing date of the Asset Purchase Agreement, Southern California Edison shall submit the closing financial information to the Energy Division of the California Public Utilities Commission as a Tier 1 Advice Letter. The financial information shall consist of the final calculation of the loss-on-sale and tax information related to the sale of the facilities.

6. All outstanding motions filed in this proceeding that have not yet been ruled on, are denied.

7. Application 24-08-012 is closed.

This order is effective today.

This order is effective today.

Dated _____, 2025 at San Francisco, California