

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  
Fontana Union Water Company.

Application 24-09-008

**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY'S  
SALE OF LYTLE CREEK HYDROELECTRIC PLANT AND FONTANA  
HYDROELECTRIC PLANT TO FONTANA UNION WATER COMPANY**

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**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY'S  
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HYDROELECTRIC PLANT TO FONTANA UNION WATER COMPANY**

**Summary**

This decision grants Southern California Edison Company's application for authority to sell its Lytle Creek Hydroelectric Plant and Fontana Hydroelectric Plant and their associated electric facilities to Fontana Union Water Company pursuant to Section 851 of the California Public Utilities Code and approves the proposed ratemaking, cost recovery, and revenue allocation treatment of the sale.

This proceeding is closed.

**1. Factual and Procedural Background**

On September 17, 2024, Southern California Edison Company (SCE) filed Application (A.) 24-09-008<sup>1</sup> seeking California Public Utilities Commission (Commission or CPUC) approval to sell its Lytle Creek Hydroelectric Plant (Lytle Creek Project), its Fontana Hydroelectric Plant (Fontana Project), and their associated electric facilities to proposed Buyer Fontana Union Water Company, a mutual water company<sup>2</sup> located in Fontana, California (Fontana Union Water) (A.24-09-008 or Application). The Application also seeks corresponding

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<sup>1</sup> See Application [24-09-008] of Southern California Edison Company (U338E) for Approval Under Public Utilities Code Section 851 to Sell Certain Hydroelectric Power Plants to Fontana Union Water Company and its attached Public Version Appendix A (Asset Purchase Agreement), Appendix B (Letters Sent by SCE to the Native American Heritage Committee), Appendix C (Initial Offer Letters), Appendix D (Final Offer Letters), and Appendix E (Financial Statements, including Balance Sheet and Statement of Income for June 30, 2024).

<sup>2</sup> A "mutual water company" is any "private corporation or association organized for the purposes of delivering water to its stockholders and members at cost, including use of works for conserving, treating and reclaiming water." (See Publ. Util. Code §2725). Mutual water companies are not considered public utilities and are not subject to Commission jurisdiction. (See Public Utilities Code §2705.)

ratemaking, cost recovery, and revenue allocation treatment for the proposed transaction, not previously reflected in SCE's 2025 General Rate Case (GRC) forecast.<sup>3</sup> Applicant SCE also filed a motion for confidential treatment of specific interconnection facility design and banking and financial information contained in Appendix A (*Asset Purchase Agreement*) to its September 17, 2024 Application.<sup>4</sup>

SCE is a private investor-owned utility (IOU) regulated by the Commission, License No. U338E. SCE, located in Rosemead, California, is engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy for light, heat, and power in portions of Central and Southern California.<sup>5</sup>

SCE's Lytle Creek Project and Fontana Project are located in San Bernardino County, California and have an estimated aggregate generation capacity of 3.45 megawatts (MW).<sup>6</sup>

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<sup>3</sup> See Application at 4-5. See also *Application [23-05-010] of SCE for Authority to Increase its Authorized Revenues for Electric Service in 2025, Among Other Things, and to Reflect that Increase in Rates and Decision (D.) 25-09-030*.

<sup>4</sup> See *Motion of Southern California Edison Company (U 338-E) for Leave to File Under Seal The Confidential Version Of Its Application For Approval Under Public Utilities Code Section 851 To Sell Certain Hydroelectric Power Plants To Fontana Union Water Company (September 17, 2024)*. See also Application, [Public Version] Appendix A (*Asset Purchase Agreement by and between Southern California Edison Company as Seller; and Fontana Union Water Company as Purchaser dated August 12, 2024*) (Asset Purchase Agreement) at Exhibit D (*Forms of Generator Interconnection Agreements*). See also *Id.* at Exhibit F (*Escrow Agreement*).

<sup>5</sup> Application at 2 and 8.

<sup>6</sup> See Application at 2 and Appendix A (*Asset Purchase Agreement*).

Pursuant to Public Utilities (Pub. Util.) Code Section 851, Commission authorization is required for SCE's proposed sale of the Lytle Creek Project and the Fontana Project to Fontana Union Water (collectively, the Proposed Sale).

Commissioner John Reynolds and Administrative Law Judge (ALJ) Andrea D. McGary were assigned to this A.24-09-008 proceeding on October 18, 2024.

No party or participant filed a Protest or Response to the Application. However, on November 7, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) was granted party status to represent and advocate on behalf of the interest of public utility customers and subscribers.<sup>7</sup>

On November 6, 2024, *Administrative Law Judge's Ruling Setting Remote Prehearing Conference & Prehearing Conference Statement Deadline* was issued, setting a prehearing conference (PHC) for December 5, 2024 to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and to address other matters as necessary. On December 2, 2024, in advance of the PHC, SCE and Cal Advocates filed a Joint PHC Statement. The PHC was held on December 5, 2024 before ALJ Andrea D. McGary. The parties

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<sup>7</sup> See *Administrative Law Judge's Ruling On Motion For Party Status Of The Public Advocates Office Of The California Public Utilities Commission* (November 7, 2024). See also Pub. Util. Code §309.5 (a) and Commission Rule 1.4.

indicated an interest in waiver of evidentiary hearing in both their December 2, 2025 Joint PHC Statement and on the record during the December 5, 2024 PHC.<sup>8</sup>

Pursuant to February 18, 2025 *Assigned Commissioner's Scoping Memo And Ruling*, the logistics for resolution of this proceeding without evidentiary hearing, by document only evidence submission, and the briefing schedule were set forth in a subsequent ALJ Ruling. On February 19, 2025, ALJ McGary issued *Administrative Law Judge's Ruling Regarding Document Only Evidence Process and Briefing Schedule* requiring all Parties to: (1) meet and confer, (2) prepare and serve a final list of stipulated exhibits and stipulated material facts for entry into the record of this proceeding without objection, and (3) upload pre-marked final stipulated exhibits to the Commission's online Supporting Documents system on or before March 31, 2025.

*Joint Motion For Entry of Stipulated Exhibits And Material Facts of Southern California Edison Company (U338E) And The Public Advocates Office* with its accompanying Appendix A (*Joint Exhibit List*) and Appendix B (*Stipulated Material Facts*) were timely filed by SCE and Cal Advocates on March 17, 2025. On March 31, 2025, a final stipulated list of exhibits was timely circulated to the A.24-09-008 Official Service List and lodged with the Commission by SCE and Cal Advocates.

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<sup>8</sup> See *Joint Prehearing Conference Statement of Southern California Edison (U 338-E) and The Public Advocates Office* (December 2, 2024) at 2. See also *Reporter's Transcript of December 5, 2024 Prehearing Conference Virtual Proceeding* dated December 12, 2024 at 7:14-18.

On April 16, 2025, *Administrative Law Judge's Ruling Entering Stipulated Exhibits and Stipulated Material Facts into the Evidentiary Record* was issued.<sup>9</sup> *Motion of Southern California Edison Company (U 338-E) For Leave to Correct the Record* was filed on April 18, 2025 (Motion to Correct Record). SCE's Motion to Correct Record sought leave to re-open and augment the proceeding record to modify Exhibits SCE-0001, SCE-0002, and SCE-002E entered into evidence on April 16, 2025.<sup>10</sup>

Applicant SCE's Opening Brief was filed on April 21, 2025.<sup>11</sup> Cal Advocates' Reply Brief, filed on May 2, 2025, confirmed it no longer contested the Application.<sup>12</sup> No motions in limine or other objection to correction of the evidentiary record were filed.

The Motion to Correct Record was granted on September 30, 2025, augmenting the evidentiary record to replace the versions of Exhibits SCE-0001,

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<sup>9</sup> Exhibit SCE-0001: *Testimony of Southern California Edison Company (U 338-E) In Support Of Its Application for Approval Under Public Utilities Code Section 851 To Sell Certain Hydroelectric Power Plants to Fontana Union Water Company*

Exhibit SCE-0002: *Appendices A-B of Southern California Edison Company (U 338-E) In Support of Its Application for Approval Under Public Utilities Code Section 851 To Sell Certain Hydroelectric Power Plants to Fontana Union Water Company*

Exhibit SCE-02E: *Errata Appendices A-B of Southern California Edison Company (U 338-E) In Support of Its Application for Approval Under Public Utilities Code Section 851 To Sell Certain Hydroelectric Power Plants to Fontana Union Water Company*

<sup>10</sup> Motion To Correct Record at 1-2. See also its accompanying Attachment A (*Declaration of Alison Bahen*), Attachment B (*Errata*), and Attachment C (*SCE-0001 and SCE-0002 proposed revised clean copies*).

<sup>11</sup> *Southern California Edison Company (U 338-E)'s Opening Brief* (April 21, 2025) (SCE Opening Brief).

<sup>12</sup> *Reply Brief of the Public Advocates Office* (May 2, 2025) (Cal Advocates Reply Brief).

SCE-0002, SCE-02E originally entered into evidence on April 16, 2025 with corrected and revised Exhibits SCE-0001 and SCE-0002 entered on September 30, 2025.<sup>1314</sup>

### **1. Submission Date**

This matter was submitted for decision on September 30, 2025, the date of issuance of the ALJ's Ruling granting SCE's Motion to Correct Record.

### **2. Jurisdiction**

SCE is an IOU regulated by the CPUC under License No. U-338-E as a public utility and is subject to the Commission's jurisdiction to authorize the sale of assets pursuant to Pub. Util. Code Section 851.

The Federal Power Act (FPA) grants exclusive jurisdiction over the licensing of non-federal hydroelectric projects to the Federal Energy Regulatory Commission (FERC)<sup>15</sup> and vests in FERC comprehensive control over the regulation of hydroelectric resources.<sup>16</sup> Related FERC proceedings are discussed in Section 9, below.

### **3. Issues Before the Commission**

The issues to be determined or otherwise considered in the Commission's review of the Application are:

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<sup>13</sup> *Administrative Law Judge's Ruling On Applicant Southern California Edison Company's Motion To Correct The Evidentiary Record* (September 30, 2025).

<sup>14</sup> Citations and references to Exhibit SCE-0001, Exhibit SCE-0002, and/or Exhibit SCE-02E in this decision shall be interpreted to refer *nunc pro tunc* to the corrected and revised versions of Exhibits SCE-0001 and SCE-0002 attached as Exhibit C to the April 18, 2025 Motion to Correct Record and entered into evidence on September 30, 2025 pursuant to ALJ Ruling.

<sup>15</sup> 16 U.S.C. § 797 (e).

<sup>16</sup> 16 U.S.C. § 803 (a)(1).

1. Whether SCE's proposed sale of its Lytle Creek Project and Fontana Project to Fontana Union Water complies with all applicable Commission requirements, are in the public interest, and should be approved by the Commission pursuant to Pub. Util. Code Section 851;
2. Whether the Commission should approve SCE's proposed ratemaking, cost recovery, and revenue allocation treatment of the sale to Fontana Union Water;
3. Whether SCE's proposed sale or transfer of the Lytle Creek Project and the Fontana Project is exempt from the requirements of the California Environmental Quality Act (CEQA); and
4. Whether SCE has complied with the Tribal Land Transfer Policy for the proposed the sale of the Lytle Creek and Fontana Projects in San Bernadino County, California?

#### **4. Public Utilities Code Section 851 Compliance**

In 2021, SCE hired Bodington & Company, an investment banking firm that specializes in power generation, to advise on the sale and evaluation of six (6) bids to sell the Lytle Creek Project and the Fontana Project, including the assumptions in SCE's PVRR analysis. After analysis of the bids, SCE entered into the subject August 12, 2024 Asset Purchase Agreement with proposed Buyer Fontana Union Water, subject to concurrent CPUC and FERC approvals.<sup>17</sup>

Pub. Util. Code Section 851(a), in relevant part, provides:

A public utility . . . shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its . . . 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 means whatsoever, directly or

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<sup>17</sup> SCE Opening Brief at 2 and Exhibit SCE-0001, Ch. III (*Reasonableness of Transaction*) at Bates stamped pp. SCE-0008 and SCE-0011 to SCE-0013. See also Application at 2.

indirectly, merge or consolidate its . . . line, plant, system, or other property . . . 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.

*Emphasis added.*

Necessary or Useful: In evaluating the transaction pursuant to Pub. Util. Code Section 851, we first look to determine if each of the Lytle Creek Project and the Fontana Project are “necessary or useful” in SCE’s performance of its duties as a public utility.<sup>18</sup> Both the Lytle Creek Project and the Fontana Project are small “run-of-the river system”<sup>19</sup> hydroelectric plants located on Lytle Creek in San Bernardino County, California.<sup>20</sup> SCE has owned and operated the Lytle Creek Project since 1917 and the Fontana Project since 1904.<sup>21</sup> Evidence presented indicates that much of the 1904 and 1917 infrastructure of the Projects is original equipment over 100 years old that will require “significant refurbishment for future operations.”<sup>22</sup>

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<sup>18</sup> Pub. Util. Code § 851(a).

<sup>19</sup> A run-of-the-river system only generates power when water is flowing. See also SCE Exhibit 0001 at Bates stamped p. SCE-0005.

<sup>20</sup> *Id.* See also Application at 2 and SCE Opening Brief at 2-3. See also SCE Exhibit 0002 at Bates stamped p. SCE-0044.

<sup>21</sup> SCE Exhibit 0001 at Bates stamped pp. SCE-0009 to SCE-0010.

<sup>22</sup> Application at 2. See also SCE Opening Brief at 2. See also Exhibit SCE-0001 at Bates stamped p. SCE-0007.

While the facilities of both Projects are in need of significant refurbishment and repair for future long-term operations, each are currently operating, with an aggregate capacity of 3.45 MW.<sup>23</sup> Accordingly, we find the Lytle Creek and Fontana Projects useful for their ability to generate hydroelectric power and the provisions of Pub. Util. Code Section 851 apply to this transaction.

In Excess of \$ 5 Million: Next, we look to determine if the Project values are above \$5 million. SCE's original historical cost for the Lytle Creek and Fontana Projects is approximately \$2.8 million. The accumulated depreciation a/k/a forecasted reserve is approximately \$1.7 million. The net book value is \$1.1 million, calculated as the original historical \$2.8 million cost less the \$1.7 million accumulated depreciation. The negotiated Transfer Payment from SCE to the proposed Buyer Fontana Union Water at close is \$7.3 million, calculated as (a) \$5.516 million for the Lytle Creek Project and (b) \$1.788 million for the Fontana Project.<sup>24</sup> The Asset Purchase Agreement also requires installation of certain interconnection facilities and upgrades. The Transfer Payment does not include the estimate for separate costs to be incurred by SCE to interconnect the Lytle Creek Project and the Fontana Project to the SCE system on behalf of Buyer Fontana Union Water after close of the Proposed Sale, approximately \$0.6 million and \$0.5 million respectively.<sup>25</sup> Overall, the aggregate pre-tax loss on the

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<sup>23</sup> Application at 2 and 12-13. See also SCE Opening Brief at 2. See also SCE Exhibit 0001, Ch. II (*Description of Small Hydro Assets to Be Sold*) at Bates stamped pp. SCE-0009 to SCE-0010.

<sup>24</sup> Application at 2-3. See also Exhibit SCE 0001, Ch. V (*Ratemaking Proposal*) at Bates stamped p. SCE-0019.

<sup>25</sup> Application at 4 and 13. See also SCE Opening Brief at 3 and 5. See also Exhibit SCE-0001 at Bates stamped pp. SCE-0008, SCE-0013 to SCE-0014,

Proposed Sale is approximately \$9.5 million.<sup>26</sup> The estimated aggregate after-tax loss for the sale is \$6.97 million.<sup>27</sup> Accordingly, the total value of the Proposed Sale represents estimated aggregate losses above the \$5 million threshold for Commission review of the transaction pursuant to Pub. Util. Code Section 851.

Public Interest. The Commission reviews Pub. Util Code Section 851 proceedings to determine whether the Proposed Sale is in the public interest.<sup>28</sup> SCE asserts that the Lytle Creek Project and Fontana Project are non-core assets, which SCE no longer needs to provide its customers with “economical, reliable, and clean electric power.”<sup>29</sup> We begin with our review of SCE’s cost and benefit analysis of three alternatives for the future ownership and operation of the Projects:

- 1) Continued operation of the Projects and renewal of FERC licenses when current licenses expire (for FERC-licensed Lytle Creek Project)
- 2) Decommission the Projects in 10 years (or next FERC relicensing cycle if earlier)
- 3) Sell the Projects to third party.<sup>30</sup>

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<sup>26</sup> Estimated as the sum of \$6.5 million pre-tax loss for the Lytle Creek Project and the sum of \$3.1 million pre-tax loss for the Fontana Project. See also SCE Opening Brief at 5-6 and Exhibit SCE-0001, Ch. V (*Ratemaking Proposal*) at Bates stamped pp. SCE-0019 to SCE-0020.

<sup>27</sup> Estimated as the sum of \$4.7 million after-tax loss for the Lytle Creek Project and the sum of \$2.27 million for the Fontana Project. See also Exhibit SCE-0001, Ch. V (*Ratemaking Proposal*), Table V-3 (*Sales Price and Gain/(Loss) Impact by Project (\$ in Millions)*) at Bates stamp p. SCE-0020.

<sup>28</sup> Pub. Util. Code § 853 (*Transfer or Encumbrance of Utility Property*). See also D.07-05-031 at 3 and D.10-10-017 at 11.

<sup>29</sup> Application at 12-13. See also Exhibit SCE-0001 at Bates p. SCE-0045.

<sup>30</sup> Application at 1. See also SCE Opening Brief at 4-5 and 9. See also Exhibit SCE-0001, Ch. IV (*Alternative To Sale*) at Bates stamped pp. SCE-0004 and SCE-0016 to SCE-0018.

SCE's cost benefit analysis indicates that, relative to the identified alternatives, the sale of the Projects to proposed Buyer Fontana Union Water will reduce costs to SCE customers. Specifically, SCE demonstrates that sale of the Projects offer customers an estimated aggregate savings of \$9.2 million, as compared to the cost of continued operation and/or decommission of the Lytle Creek Project and Fontana Project. SCE further determined that the Proposed Sale, at a negative purchase price, would be the least-cost option for SCE's customers by avoiding:

1. the cost and risk of capital repairs or upgrades;
2. the costs of future relicensing or other regulatory proceedings including costs associated with implementing license conditions;
3. future O&M costs; and
4. future decommissioning costs.<sup>31</sup>

SCE has determined that the Proposed Sale will not interfere with SCE's operations or its provision of safe and reliable utility service to its customers.<sup>32</sup>

Upon review, we agree that selling the Projects is the most cost-effective alternative for SCE customers. Having identified no foreseeable adverse impacts of this transaction, we also find SCE's sale of the Lytle Creek Project and the Fontana Project is in the public interest.

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<sup>31</sup> Application at 2. See also Exhibit SCE-0001, Ch. IV (*Alternatives to Sale*), Table IV-2 (*Total Cost To Customers PVRR Alternative Scenario \$ in Millions*) at Bates stamped pp. SCE-0016 to SCE-0018.

<sup>32</sup> Application at 3 and 10.

## 5. Compliance with the California Environmental Quality Act

To authorize the Proposed Sale, the Commission must find that the transaction complies with CEQA.<sup>33</sup> CEQA requires any state or local government agency approving a discretionary project<sup>34</sup> to consider the direct or reasonably foreseeable indirect environmental impact of the project.<sup>35</sup>

SCE asserts that the Proposed Sale is not subject to CEQA review because sale and transfer of its interest in the Lytle Creek Project and the Fontana Project would not involve a direct or reasonably foreseeable indirect physical change in the environment.<sup>36</sup> Moreover, SCE asserts that the Proposed Sale is categorically exempt from review pursuant to CEQA Guidelines, Class 1 (*Existing Facilities*) exemptions<sup>37</sup> in that, pursuant to the transaction proposed in the Application, 1)

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<sup>33</sup> Cal. Pub. Res Code §21000 et seq.

<sup>34</sup> 14 Cal. Code Regs. §15357, in pertinent part, provides:

“Discretionary project” means a project which requires the exercise of judgment or deliberation when the public agency or body decides to approve or disapprove a particular activity, as distinguished from situations where the public agency or body merely has to determine whether there has been conformity with applicable statutes, ordinances, regulations, or other fixed standards.

<sup>35</sup> Cal. Pub. Res. Code §21080.

<sup>36</sup> Application at 5-6. See also SCE Opening Brief at 2 and 7-8.

<sup>37</sup> CEQA Categorical Exemption, 14 Cal. Code Regs. §15301 (*Existing Facilities*) provides in pertinent part:

Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. . . . The key consideration is whether the project involves negligible or no expansion of use.

Examples include but are not limited to:

*Footnote continued on next page.*

Buyer Fontana Union Water would operate the Lytle Creek Project and the Fontana Project in accordance with their existing use and operation; 2) Buyer's future maintenance and repairs to the existing utility facilities of the Lytle Creek Project and the Fontana Project do not contemplate expansion of existing or former use; and 3) Buyer would be responsible for obtaining any necessary CEQA approval from the lead CEQA agency.<sup>38</sup>

We agree that the Proposed Sale is exempt from CEQA review. We find that there are no significant environmental impacts associated with the Proposed Sale and transfer of SCE's interest in the Lytle Creek Project and the Fontana Project to Fontana Union Water. In the event that Buyer seeks to expand existing use, former use, or operation of the Project, it will be responsible for obtaining any necessary CEQA approval from the lead CEQA agency.

## **6. Ratemaking Treatment of the Projects**

Summarily, SCE proposes to reduce its rate base by the amount of the historical costs of the Lytle Creek Project and the Fontana Project less: (1) depreciated value of the assets and (2) deferred income taxes, at close and following ratemaking for the Proposed Sale.<sup>39</sup> Ratemaking on the Proposed Sale is not reflected in SCE's 2025 GRC cycle. Therefore, any approved ratemaking

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(b) Existing facilities of both investor and publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services;

<sup>38</sup> Application at 5-6. See also SCE Opening Brief at 2 and 7-8.

<sup>39</sup> See Exhibit SCE-0001, Ch. V, Section B (*Ratemaking and Gain (Loss) on Sale Decision*) at Bates stamp p. SCE-0020.

treatment herein will be applied to the periods remaining in the 2025 GRC cycle after close of the Proposed Sale.<sup>40</sup>

The Commission uses after-tax gain or loss on sales to determine whether a ratemaking proposal is reasonable.<sup>41</sup> SCE requests to recover the accounting losses from the Proposed Sale by application of the percentage allocation rule promulgated in Commission D.06-05-041, as modified by D.06-12-043 and which provides for:

1. 100 percent allocation of loss on depreciable assets to ratepayer;
2. 67 percent allocation of loss on non-depreciable assets to ratepayers; and
3. 33 percent allocation of loss on non-depreciable assets to shareholders.<sup>42</sup>

In routine utility asset sales where the Proposed Sale is \$50 million or less and the after-tax loss from the asset is \$10 million or less, an IOU may apply the percentage allocation rule to treatment of its losses.<sup>43</sup> As discussed, the negotiated Transfer Payment to proposed Buyer Fontana Union Water at close is \$7.3 million (less than \$50 million sale) and the estimated aggregate after-tax loss for the Proposed Sale is \$6.97 million (less than \$10 million after-tax loss).<sup>44</sup> In

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<sup>40</sup> Application at pp. 4-5. See also Exhibit SCE-0001 at Ch. V (*Ratemaking Proposal*), Bates stamp pp. SCE-0019 to SCE-0022.

<sup>41</sup> See D.06-05-41 at 48, 96; D.06-12-043 at 21 (amending D.06-05-41); and D.22-11-002 at 8.

<sup>42</sup> See D.06-12-043 at 21 (amending D.06-12-041 at 96, Ordering Paragraph 9).

<sup>43</sup> Ibid.

<sup>44</sup> See Exhibit SCE-0001, Ch. V (*Ratemaking Proposal*), Table V-3 (*Sales Price and Gain/(Loss) Impact by Project (\$ in Millions)*) at Bates stamp p. SCE-0020.

support of the request, SCE and Cal Advocates have also stipulated that it is just and reasonable for the accounting losses from the Proposed Sale to be recovered in accordance with the percentage allocation rule.<sup>45</sup> We concur and SCE is hereby authorized to allocate accounting losses in accordance with the percentage allocation rule in this proceeding.

SCE proposes the following ratemaking for the Proposed Sale of the Lytle Creek Project and the Fontana Project transaction, which was not reflected in SCE's 2025 GRC<sup>46</sup> forecast:

SCE proposes to recover the pre-tax loss on sale, inclusive of the interconnection costs and transaction costs (totaling approximately \$0.6 million and \$0.5 million, respectively), by recording a debit in the Legacy Utility Owned Generation (UOG) subaccount within the Portfolio Allocation Balancing Account (PABA). Amounts recorded in PABA are recovered from bundled and non-exempt departing load customers through generation and Power Charge Indifference Adjustment (PCIA) rates.

SCE proposes to recover any remaining regulatory tax assets related to the Projects by recording a debit in the Legacy UOG subaccount of PABA. Additionally, due to differences in timing between when revenue recovered from customers is taxable and when the tax loss on the Projects is deductible, an Accumulated Deferred Income Tax balance will be created on this transaction and included in rate base until the book-tax timing differences unwind.

SCE also proposes to reduce the revenue requirement associated with the Projects' retired rate base and maintenance costs requested

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<sup>45</sup> See *Administrative Law Judge's Ruling Entering Stipulated Exhibits And Stipulated Material Facts Into The Evidentiary Record* (April 16, 2025), Appendix B (*Stipulated Material Facts*) at B1, No.9.

<sup>46</sup> See A.24-09-008 at 4-5. See also *Application [23-05-010] of Southern California Edison for Authority to Increase its Authorized Revenues For Electric Service in 2025, Among Other Things, and To Reflect That Increase In Rates*.

in the 2025 GRC upon close of the sale by recording a credit in PABA for approximately \$0.3 million. This revenue reduction will be applied to the remaining periods in the 2025 GRC cycle from the closing of the sale.

SCE proposes that the updated calculation of the loss-on-sale and tax information be provided to the Commission in a Tier 1 advice letter submittal . . . within 60 days following closing.<sup>47]</sup>

The Commission authorizes SCE to recover its \$9.5 million pre-tax loss on Proposed Sale by recording a debit in the UOG subaccount of the PABA.<sup>48</sup> The debits recorded in the PABA will be recovered from bundled and non-exempt departing load customers through generation and vintaged Power Charge Indifference Adjustment (PCIA) rates.

SCE's proposal to recover any remaining regulatory assets related to the Proposed Sale by recording a debit in the Legacy UOG subaccount of PABA is approved. 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.<sup>49</sup>

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<sup>47</sup> Application at pp. 4-5; Exhibit SCE-0001 at Ch. V, Section B (*Ratemaking and Gain (Loss) on Sale Decision*), Bates stamp pp. SCE-0020 to SCE-0022.

<sup>48</sup> *Id.*

<sup>49</sup> A regulatory asset is a Commission authorized accounting mechanism allowing an IOU to capitalize certain costs and depreciate them over time on its balance sheet rather than recognizing them as immediate expenses on the income statement. A regulatory asset must be authorized by the Commission, and its treatment is subject to Commission discretion. SCE's Balance Sheet and Statement of Income for June 30, 2024 submitted in support of this Application indicate SCE's Current Regulatory Assets are \$3,910 Million and estimates Deferred

*Footnote continued on next page.*

The Commission accepts, in part, SCE's proposal to reduce its rate base by the Lytle Creek Project and Fontana Project's historical cost amount less (1) the depreciated value of the assets at close of sale and (2) deferred income taxes. To adjust for rate base and maintenance costs reductions arising from the Proposed Sale, the Commission authorizes SCE to record a per annum credit in the PABA for the remaining periods in the 2025 GRC cycle upon close of the sale.<sup>50</sup> SCE's final calculation of the per annum amounts to be recorded in the PABA to adjust for reductions associated with the Lytle Creek Hydroelectric Project and Fontana Hydroelectric Project rate base and maintenance costs reductions arising from the transaction shall be submitted by Tier 1 Advice Letter to the Commission's Energy Division within 60 days following close of the transaction.

SCE's request to submit final loss-on-sale and tax calculations related to the Proposed Sale in a Tier 1 Advice Letter to the Commission's Energy Division within 60 days following closing of the Proposed Sale is reasonable and consistent with comparable procedures ordered in prior Commission decisions<sup>51</sup> and we grant the request.

## **7. Tribal Land Transfer Policy**

On December 5, 2019, the Commission adopted the Tribal Land Transfer Policy. The Tribal Land Transfer Policy provides that utilities must (a) notify the appropriate local Native American Tribes of their intent to sell fee title properties

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Regulatory Assets are \$8,658 Million. See also Application at 12 and its Appendix E (Financial Statements) at 2-3.

<sup>50</sup> See Application at 4. See also Exhibit SCE-0001 at Bates Stamped p. SCE-0021.

<sup>51</sup> 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.

in the Tribes' ancestral areas and (b) offer such Tribes the right of first refusal for the purchase of those properties before marketing them for sale to other parties.<sup>52</sup>

The California Native American Heritage Commission (NAHC) provided SCE with a list of Native American Tribes with a potential ancestral interest in the Lytle Creek Project and Fontana Project lands.<sup>53</sup> SCE sent two rounds of letters on November 1, 2021 and December 6, 2021 to the NAHC identified Tribes to inform them of the Proposed Sale.<sup>54</sup> SCE did not receive any responses.<sup>55</sup> The Commission finds that the Proposed Sale satisfies the requirements of its Tribal Land Transfer Policy as no tribal governments have sought to exercise their right of first refusal or raise specific concerns within this Application.<sup>56</sup>

## **8. Related Federal Energy Regulatory Commission Proceedings**

SCE's Lytle Creek Project operates pursuant to FERC License No. 1932, which expires on May 31, 2033.<sup>57</sup> Section 8 of the Federal Power Act (FPA) grants exclusive jurisdiction over the licensing of non-federal hydroelectric projects to

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<sup>52</sup> *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). The Commission's Tribal Land Transfer Policy is available on the Commission's website at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/tribal/final-land-transfer-policy-116.pdf/>.

<sup>53</sup> Application at 7 and Appendix B (*Letters Sent by SCE to the Native American Heritage Committee*)

<sup>54</sup> Application at 7-8 and Appendix C (*Initial Offer Letters*) and Appendix D (*Final Offer Letters*)

<sup>55</sup> Application at 8.

<sup>56</sup> *Id.* at 11.

<sup>57</sup> SCE Opening Brief at 3 and 13. See also Exhibit SCE-0001 at Ch. II (*Description of Small Hydro Assets to Be Sold*), Table II-1 at Bates stamp p. SCE-0009-0010.

FERC, and vests comprehensive control over the regulation of hydroelectric resources with FERC.<sup>58</sup>

FERC licenses may be transferred only with the written approval of FERC.<sup>59</sup> Accordingly, sale of the Lytle Creek Project is conditioned on both the receipt of (a) CPUC approval of the transaction and its ratemaking and (b) FERC approval of the transfer of existing Lytle Creek Project FERC License 1932.<sup>60</sup>

Licensee SCE and Fontana Union Water, the proposed License Transferee/Buyer, must also file a joint application with FERC to approve any transfer of the Lytle Creek Project as well as substantiate Fontana Union Water's qualifications to hold FERC License 1932 and to operate the Lytle Creek Project. SCE projects that any required FERC approvals will be obtained within 12 months<sup>61</sup>

## **9. Compliance with the Authority Granted Herein**

SCE must file a Tier 1 Advice Letter with the Commission's Energy Division within 60 days of the Asset Purchasing Agreement closing date to implement the authority granted herein. The Tier 1 Advice Letter shall include the final calculation of the loss on sale and tax information related to the transaction as well as the final calculation of the per annum amounts to be recorded in the PABA to adjust for reductions associated with the Lytle Creek

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<sup>58</sup> 16 U.S.C. § 797(e) and § 803(a)(1).

<sup>59</sup> 16 U.S.C. § 801.

<sup>60</sup> Application at 3 and Exhibit SCE-0001, Ch. III (*Reasonableness of Transaction*) at Bates stamped pp. SCE-0013 to SCE-0015.

<sup>61</sup> Exhibit SCE-0001 at Ch. VI (*Related Proceedings*), Bates stamp p. SCE-0023

Hydroelectric Project and Fontana Hydroelectric Project rate base and maintenance costs reductions arising from the transaction.

## 10. Confidential Treatment of Testimony and Exhibits

Pursuant to Commission Rule 11.4, Commission General Order (GO) 66-D, and SCE Tariff Rule 21, SCE submitted both a public redacted version and a confidential unredacted version of its documents in support of the Application, pending Commission grant or denial of its September 17, 2024 Motion To Seal.<sup>62</sup> The motion seeks confidential treatment of the following 1) interconnection facility design and 2) banking and financial information contained in the Asset Purchase Agreement:

Documents	Pages	Description
Exhibit D ( <i>Forms of Generator Interconnection Agreements</i> ) of Appendix A to Application 24-09-008	Pages 152-156, 159, 163, 164, 170, 171, 241-244, 247, 252, 258, and 259.	Redacted Interconnection Facility Design information in Exhibit A and Exhibit C(1) of the Generator Interconnection Agreements
Exhibit F ( <i>Escrow Agreement</i> ) of Appendix A to Application 24-09-008 <sup>63</sup>	Pages 277-279.	Redacted banking and financial information

<sup>62</sup> See Rule 11.4 (*Motion for Leave to File Under Seal*). See also GO 66-D (*Procedure for (1) Submission of Information to the California Public Utilities Commission with Claims of Confidentiality, (2) Submission of Request Per the California Public Records Act, and (3) The Release of Any Information by the Commission, Including Pursuant to the California Public Record Act*). See also SCE Tariff Rule 21 (*Generating Facility Interconnections*).

<sup>63</sup> See Application at Appendix A (*Public – Asset Purchase Agreement*), Exhibit D (*Forms of Generator Interconnection Agreements*) and Exhibit F (*Escrow Agreement*). See also Motion To Seal at 1-2 and its Appendix A (*Declarations [of Brendan Bond] Regarding Confidentiality*) at A-2.

Pub. Util. Code Section 583 and Commission GO 66-D, authorizes the Commission to seal information furnished by a public utility from public inspection by order during hearing or proceeding or by determination in a decision.<sup>64</sup>

SCE Tariff Rule 21, in pertinent part, provides for confidential treatment of:

[C]onfidential, proprietary or trade secret information related to the present or planned business of Applicant, Customer, Producer, or Distribution provider . . . including all information related to the Party's technology, research and development, business affairs, and pricing.

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For the purposes of this Rule all design, operating specifications, and metering data provided by Applicant shall be deemed Confidential information whether it is clearly marked or otherwise designated as such, except as provided in section D.7.b [Limitations Scope].

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In providing the information to the Commission, FERC, or their respective staff, the Party shall, pursuant to PUC section 583 and General Order 66-D in the case of disclosure to the Commission . . . request that the information be treated as confidential and non-public by the Commission . . . and their respective staff and that the information be withheld from public disclosure.<sup>65</sup>

Good cause appearing, SCE's Motion to Seal is hereby granted. The confidential portions of the unredacted version of SCE's Application and its

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<sup>64</sup> See Pub. Util. Code §588(a) (*Reports to the Commission*). See also GO 66-D, Section 3.4 (*Preemptive Determination of Confidentiality in a Decision*)

<sup>65</sup> See SCE Tariff Rule 21 (D)(7)(c).

Appendix A (*Asset Purchase Agreement*), as listed in the above charts of this decision, shall remain under seal and shall not be made accessible or disclosed to anyone other than Commission staff except on the order or ruling of the Commission, the Assigned Commissioner, the Assigned Administrative Law Judge, or designated Law and Motion Judge.

#### **11. Summary of Public Comment**

The Commission encourages and welcomes comments from the public on issues and proceedings to help us reach informed decisions. Commission 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 for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comments submitted in a proceeding must be summarized in the final decision issued in that proceeding.

In this A.24-09-008 proceeding, 13 comments were posted to the Docket card, four of which were duplicate postings. The remaining nine unique public comments were posts primarily from Southern California residents residing in the Los Angeles County,<sup>66</sup> Orange County,<sup>67</sup> San Bernardino County,<sup>68</sup> and Ventura County<sup>69</sup> regions. Collectively, the nine Public Commenters expressed general opposition to the Proposed Sale if it would result in rate increases. The Commenters also put forth specific concerns about (1) whether the Proposed Sale

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<sup>66</sup> Lancaster, Redondo Beach, South Pasadena, West Covina, and Whittier, CA.

<sup>67</sup> Garden Grove and Laguna Hills, CA.

<sup>68</sup> Redlands, CA.

<sup>69</sup> Simi Valley, CA.

is in the public interest; (2) whether the Proposed Sale will result in new short term or long term increases to consumer rates and/or negatively impact fixed, low income, senior citizen or other limited consumer budgets; and (3) whether the terms of the proposed Asset Purchase Agreement are reasonable and financially sound in light of the term providing for a Transfer Payment by SCE to proposed Buyer Fontana Union Water to consummate the sale of the Lytle Creek Project and the Fontana Project.

## **12. Comments on Proposed Decision**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, as provided in Rule 14.6(c)(2), the otherwise applicable 30-day public review and comment period for this decision is waived.

## **13. Assignment of Proceeding**

Commissioner John Reynolds is the assigned Commissioner and Andrea D. McGary is the assigned Administrative Law Judge in this proceeding.

## **Findings of Fact**

1. The Lytle Creek Project and Fontana Project are small hydroelectric projects located on Lytle Creek in San Bernardino County, California.
2. SCE owns the Lytle Creek Project and the Fontana Project.
3. The Lytle Creek Project and Fontana Project are operational and have an aggregate capacity of 3.45 MW.
4. SCE's Lytle Creek Project holds FERC License No. 1932, which expires on June 25, 2033.
5. SCE's Fontana Project is a non-FERC regulated hydroelectric plant.
6. SCE has entered into an Asset Purchase Agreement dated August 12, 2024 to sell its Lytle Creek Project and Fontana Project to Fontana Union Water.

7. Fontana Union Water is a mutual water company located in Fontana, California.
8. Fontana Union Water intends to operate the Lytle Creek Project and the Fontana Project in accordance with their historical operations.
9. The Lytle Creek Project and Fontana Project are non-core assets of SCE and are no longer required for SCE to provide its customers with economical and clean electric power.
10. SCE sent letters on November 1, 2021 and December 6, 2021 to Native American Tribes identified by the NAHC as having a potential ancestral interest in the Lytle Creek Project and Fontana Project land to notify them of their right of first refusal under the Commission's Tribal Land Transfer Policy.
11. SCE did not receive any responses from the Tribes to its November 2021 and December 2021 right of first refusal notices regarding the Lytle Creek Project and Fontana Project Land.
12. At the closing of the Proposed Sale, SCE will pay Fontana Union Water a Transfer Payment of (a) \$5.516 million for the Lytle Creek Project and (b) \$1.788 million for the Fontana Project, subject to certain adjustments described in the Asset Purchase Agreement.
13. SCE will bear the separate costs to interconnect the Lytle Creek Project and the Fontana Project to the SCE grid after consummation of the Proposed Sale to Fontana Union Water, estimated as \$0.6 million and \$0.5 million respectively.
14. SCE's original historical cost for the Lytle Creek and Fontana Projects is approximately \$2.8 million.

15. The accumulated depreciation a/k/a forecasted reserve is approximately \$1.7 million for the Lytle Creek and Fontana Projects.

16. The net book value for the Lytle Creek and Fontana Projects is \$1.1 million, calculated as the original historical \$2.8 million cost less the \$1.7 million accumulated depreciation.

17. The negotiated Transfer Payment to proposed Buyer Fontana Union Water at close is \$7.3 million, calculated as (a) \$5.516 million for the Lytle Creek Project and (b) \$1.788 million for the Fontana Project.

18. The aggregate pre-tax loss on the Proposed Sale is approximately \$9.5 million, calculated as \$6.5 million pre-tax loss for the Lytle Creek Project and the sum of \$3.1 million pre-tax loss for the Fontana Project.

19. The estimated aggregate after-tax loss for the Proposed Sale is \$6.97 million, calculated as a \$4.7 million after-tax loss for the Lytle Creek Project and a \$2.27 million after-tax loss for the Fontana Project.

20. SCE's analysis, using its Present Value of Revenue Requirement model, of the costs of (a) retaining and operating the projects, (b) decommissioning the projects or (c) selling the projects has determined that selling the Lytle Creek Project and the Fontana Project are the least-cost option for SCE's customers.

21. SCE hired Bodington & Company in 2021 to advise on the sale of the Lytle Creek Project and the Fontana Project and to assist with bid evaluation, including testing the assumptions in SCE's Present Value Revenue Requirement analysis.

22. The Proposed Sale will not interfere with SCE's operations or SCE's provision of safe and reliable utility service to its customers.

23. 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. Pub. Util. Code Section 851 applies to the Proposed Sale of the Lytle Creek Project and the Fontana Project.

2. The Lytle Creek Project is useful but not necessary for SCE's performance of its public duties.

3. The Fontana Project is useful but not necessary for SCE's performance of its public duties.

4. The Asset Purchase Agreement for the Proposed Sale meets the requirements of Pub. Util. Code Section 851.

5. The Proposed Sale of the Lytle Creek Project and the Fontana Project is in the public interest.

6. The Proposed Sale of the Lytle Creek Project and the Fontana Project is categorically exempt under CEQA.

7. SCE complied with the requirements of the Commission's Tribal Land Transfer Policy.

8. SCE's proposed ratemaking is reasonable.

9. The Commission should authorize SCE to sell the Lytle Creek Project and its associated electric facilities to Fontana Union Water pursuant to Pub. Util. Code Section 851.

10. The Commission should authorize SCE to sell the Fontana Project and its associated electric facilities to Fontana Union Water pursuant to Pub. Util. Code Section 851.

11. The Lytle Creek Project is a depreciable asset and 100 percent of losses should be allocated to ratepayers.

12. The Fontana Project is a depreciable asset and 100 percent of losses should be allocated to ratepayers.

13. It is just and reasonable for the accounting losses from the sale of the Lytle Creek Project and Fontana Project to be recovered in accordance with the percentage allocation rule (100% of depreciable assets to customers; 67% of non-depreciable assets to customers and 33% of non-depreciable assets to shareholders) of Ordering Paragraph 4 of the Commission's Gain on Sale of Utility Assets decision, pursuant to D.06-05-041, as modified by D.06-12-043.

14. SCE should record a reduction in the PABA to adjust the revenue requirement associated with the Projects' retired rate base upon close of sale.

15. Within 60 days after the closing date of the Asset Purchase Agreement, SCE should submit the final calculation of the loss on sale and tax information to the Commission's Energy Division through a Tier 1 Advice Letter.

16. Within 60 days after the closing date of the Asset Purchase Agreement, SCE should submit the final calculation of the reduction in the PABA to adjust the revenue requirement associated with the Lytle Creek Project retired rate base and Fontana Project retired rate base upon close of sale to the Commission's Energy Division through a Tier 1 Advice Letter.

17. It is reasonable to grant confidential treatment to information in the Asset Purchase Agreement related to specific 1) interconnection facility design and 2) banking and financial information.

18. All rulings of the assigned Commissioner and the assigned ALJ should be affirmed herein, and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or assigned ALJ should be denied.

19. The Asset Purchase Agreement meets the requirements of Pub. Util. Code Section 851.

20. This proceeding should be closed.

## O R D E R

### IT IS ORDERED that:

1. Pursuant to Public Utilities Code Section 851, Southern California Edison Company (SCE) is authorized to enter into the *Asset Purchase Agreement by and between Southern California Edison Company as Seller and Fontana Union Water Company as Purchaser for Lytle Creek and Fontana Hydroelectric Projects* dated August 12, 2024, and attached as Appendix A to SCE's Application 24-09-008, which is fully incorporated herein by reference.

2. Southern California Edison Company is authorized to recover the \$6.5 million pre-tax loss from the sale of the Lytle Creek Hydroelectric Project 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 Company is authorized to recover the remaining regulatory assets from the sale of the Lytle Creek Hydroelectric

Project 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 Company is authorized to recover the \$3.1 million pre-tax loss from the sale of the Fontana Hydroelectric Project 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.

5. Southern California Edison Company is authorized to recover remaining regulatory assets from the sale of the Fontana Hydroelectric Project 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.

6. Southern California Edison Company is authorized to 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.

7. Within 60 days after the closing date of the Asset Purchase Agreement, Southern California Edison Company shall submit the closing financial information to the California Public Utilities Commission's Energy Division 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 Lytle Creek Hydroelectric Project and Fontana Hydroelectric Project. The financial information shall also include the final calculation of the reductions to be

recorded in the Portfolio Allocation Balancing Account to adjust for the rate base and maintenance costs reductions associated with the Lytle Creek Hydroelectric Project and Fontana Hydroelectric Project retired rate base arising from the transaction.

8. *Motion of Southern California Edison Company (U 338-E) For Leave To File Under Seal The Confidential Version Of Its Application For Approval Under Public Utilities Code Section 851 To Sell Certain Hydroelectric Power Plants To Fontana Union Water Company* filed on September 17, 2024 is granted for a period of three years from the date of this order. During the three-year period, the following: (1) interconnection facility design and (2) banking and financial information contained in Appendix A (*Asset Purchase Agreement*) to Application 24-09-008 shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If SCE believes that it is necessary for this information to remain under seal for longer than three (3) years, it may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

9. All rulings of the assigned Commissioner and the assigned Administrative Law Judge are affirmed herein, and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or Administrative Law Judge are denied.

10. Application 24-09-008 is closed.

This decision is effective today.

Dated \_\_\_\_\_, 2026, at San Francisco, California