ALJ/MPO/vhj **PROPOSED DECISION** **Agenda ID #24378**
Ratesetting

Decision __________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U-338E) for Approval under Public Utilities Code Section 851 for the Grant of Public Road and Limited Utilities Easements to City of Ontario	Application 26-01-002

DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO GRANT PUBLIC ROAD AND LIMITED USE EASEMENTS TO THE CITY OF ONTARIO UNDER PUBLIC UTILITIES CODE SECTION 851

Summary

This decision authorizes Southern California Edison Company to grant public road and limited use easements to the City of Ontario under California Public Utilities Code Section 851. We find that the proposed transaction is in the public interest and satisfies relevant requirements.

This proceeding is closed.

1. Background

On January 5, 2026, Southern California Edison Company (SCE) filed Application (A.) 26-01-002 requesting approval pursuant to Public Utilities Code Section 851 for the grant of four public road and limited utilities easements (Easements) to City of Ontario. SCE owns four parcels of land in San Bernardino

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County and currently uses those parcels for material storage and secondary access to the Mira Loma substation. BrookCal Ontario LLC (BrookCal), a developer, requested the Easements from SCE on behalf of the City of Ontario. BrookCal is developing an industrial distribution warehouse located near the parcels and the City of Ontario has required the acquisition of the Easements as a condition of approval for the project.[1]

The Easements would allow the City of Ontario to encumber the easement area with a public road and certain utilities. SCE indicates that the proposed use of the Easements is compatible with SCE operations. However, since SCE may need to run additional underground conduits and cables in the parcels in the future, SCE is granting the City of Ontario only limited and pre-approved utility rights that do not conflict with SCE's future plans. The utilities permitted on the parcels include sewer pipelines, water pipelines, fiber installations, reclaimed water systems, landscaping, irrigation and overhead lighting.[2] The Easements require the City of Ontario to maintain its improvements and indemnify SCE, to the extent permitted by law, against claims arising out of the exercise of the rights granted therein.[3]

BrookCal would pay SCE $6,649,000 for the Easements, which is the appraised value. The pre-tax gain on transaction is anticipated to be

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[1] Application at 2.

[2] *Id.* at 3.

[3] SCE Opening Brief at 3.

approximately $6,626,929 and will result in an after-tax gain of approximately $4,772,476.[4]

No protests to the application were filed. A prehearing conference was held on February 26, 2026. The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a motion for party status on February 26, 2026. The Administrative Law Judge granted that motion at the prehearing conference. A Scoping Memo and Ruling was issued on March 20, 2026. It determined that evidentiary hearings were not required.[5] SCE submitted its opening brief on April 22, 2026. Cal Advocates filed a reply brief on May 11, 2026 that generally supported the sale of the Easements.

This matter was submitted on May 13, 2026, which is the filing date for reply briefs.

2. Issues Before the Commission

The issues to be determined or otherwise considered are:

1. Should the Commission approve granting the Easements to the City of Ontario?
2. Should the Commission approve SCE's proposed allocation of the proceeds?

3. Discussion

3.1. Compliance with Public Utilities Section 851

Public Utilities Code Section 851 provides, in relevant part, that a public utility:

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[4] *Id.* at 5.

[5] *See* Scoping Ruling at 2.

> {S]hall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its railroad, street railroad, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, or by any means whatsoever, directly or indirectly, merge or consolidate its railroad, street railroad, line, plant, system, or other property, or franchises or permits or any part thereof, without first having either secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars ($5,000,000)…

The value of the sale of the Easements is greater than five million dollars, so the provisions of Public Utilities Code Section 851 apply to the proposed transaction. Therefore, the Commission must determine whether the transaction is in the public interest. The Commission has broad discretion to determine whether it is in the public interest and may, where necessary and appropriate, attach conditions to a transaction to protect and promote the public interest.[6]

SCE asserts that the sale of the Easements satisfies the standard because "the public interest is served when utility property is used for other productive purposes without interfering with the utility's operations or affecting service to utility customers."[7] SCE indicates that the public will benefit from the granting of the Easements due to: (1) the construction public roads and certain utilities on the Easements and (2) improved traffic circulation within the City of Ontario. SCE emphasizes that the improvements will enhance public services and

[6] D.01-06-007 at 15.

[7] SCE Opening Brief at 3 (citing to D.00-07-010).

accessibility in the City of Ontario. SCE also contends that the roads will provide improved access to SCE's own parcels.[8]

SCE asserts that the City of Ontario's exercise of the Easements will not interfere with SCE's operations or service to customers. SCE maintains the sale agreement limits the scope of permitted utility rights on the Easements to those that would be compatible with SCE's present and future use of the property. SCE also states it reserved the right to install additional facilities on the property, provided such facilities do not interfere with the City of Ontario's roads and utilities.[9]

We find that the granting of the Easements is in the public interest. The public will benefit from the improved infrastructure resulting from the City of Ontario's proposed use of the Easements. SCE customers will not experience service disruptions due to the Easements. Lastly, SCE customers will benefit from the proceeds of the transaction.

3.2. Proposed Ratemaking

Investor-owned utilities (IOU) 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. The percentage allocation rule applies as follows: (1) 100 percent allocation for depreciable assets to ratepayers and (2) a split of 67 percent allocation to ratepayers and 33 percent to shareholders for non-depreciable assets.

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[8] *Id.* at 4.

[9] *Ibid.*

SCE asserts that its proposed ratemaking of the proceeds from the sale of the Easements is consistent with the percentage allocation rule as well as Commission policy and precedent.

SCE proposes a specific ratemaking treatment because the sale was not reflected in SCE's 2025 General Rate Case (GRC) forecast. Once the sale closes, SCE proposes to reduce: (1) its rate base by the allocated book value of the portions of the Easements and (2) the revenue requirement associated with the Easements' retired rate base. SCE indicates the revenue requirement reduction will be applied to the remaining periods in the 2025 GRC cycle.[10] SCE proposes returning the pre-tax gain, minus the associated transaction costs, by recording a credit in SCE's Base Revenue Requirement Balancing Account (BRRBA).[11]

Since the Easements affect land, which is a non-depreciable asset, SCE requests that the after-tax gain of approximately $4,772,476 is allocated 67 percent to ratepayers and 33 percent to shareholders. SCE proposes allocating the gain for one parcel, Assessor Parcel Number 0218-171-20, which was not in base rates for the period of 1980-2005, between shareholders and ratepayers consistent with its periods in rate base and non-rate base.[12]

We find SCE's proposed ratemaking for of the proceeds from the sale of the Easements is reasonable and consistent with Commission policy and precedent. Since the sale affects a non-depreciable asset, it is reasonable to

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[10] *Ibid.*

[11] *Ibid.*

[12] *Id.* at 5.

allocate 67 percent of the after-tax gain of approximately $4,772,476 to ratepayers and 33 percent to shareholders.

4. California Environmental Quality Act Compliance

The California Environmental Quality Act (CEQA) applies to discretionary projects to be carried out or approved by public agencies. CEQA defines a "project" to be an activity that "may cause either a direct change in the environment, or a reasonable foreseeable indirect physical change in the environment" and either (a) directly undertaken by any public agency, (b) is supported by contracts, grants, subsidies, loans, or other forms of assistance from a public agency or (c) involves the issuance of a lease, permit, license, certificate or other entitlement for use by one or more public agency.[13]

SCE asserts that CEQA review is not necessary because granting the Easements is not a project since the Easements will not have a direct environmental impact.[14]

We find that the sale of the Easements does not qualify as a "project" under CEQA and therefore, is exempt from CEQA review.

5. Compliance with the Commission's Tribal Land Policy

Resolution E-5076, effective January 14, 2021, adopted Guidelines to Implement the Commission's Tribal Land Transfer Policy. When an IOU decides to dispose of real property, the Tribal Land Transfer Policy requires the IOU, before it submits a request for approval to the Commission, to notify any

[13] California Public Resources Code, Section 21065.

[14] Application at 6.

relevant Native American Tribes that it intends to dispose of the property. The Tribal Land Transfer Policy requires IOUs to: (1) notify the appropriate local Tribes of any proposed dispositions of utility-owned real property that are subject to Public Utilities Code Section 851 and (2) allow a certain time period for the Tribes to respond as to their interest in purchasing the subject real property.

SCE asserts that the Tribal Land Transfer Policy does not facially apply to this transaction, it did also send notification letters to the Tribes identified by the Native American Heritage Commission as having an ancestral interest in the property. Those letters informed the Tribes of the proposed granting of the Easements and of this Application and invited their participation in this proceeding.

We find that SCE has satisfied the requirements of the Commission's Tribal Land Transfer Policy.

6. 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. No public comments were submitted.

7. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

8. 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.

9. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Marcelo Lins Poirier is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. City of Ontario is seeking public road and limited utilities easements on four parcels owned by SCE in San Bernardino County.

2. BrookCal, a developer, requested the Easements from SCE on behalf of the City of Ontario.

3. SCE currently uses those parcels as a material storage yard and for secondary access to the Mira Loma substation.

4. The public will benefit from the improved infrastructure resulting from the City of Ontario's proposed use of the Easements.

5. SCE customers will not experience service disruptions due to the Easements.

6. SCE customers will benefit from the proceeds of the sale of the Easements.

7. The sale of the Easements will result in an after-tax gain of approximately $4,772,476.

8. The granting of the Easements will not have a direct environmental impact.

9. The proposed transaction includes only non-depreciable assets.

Conclusions of Law

1. Section 851 applies to the sale of the Easements.
2. The sale of the Easements is in the public interest and is compatible with SCE's present and future use of the burdened parcels.
3. SCE's proposed ratemaking treatment of the proceeds from the sale of the Easements is reasonable and consistent with Commission policy and precedent.
4. The Commission should approve SCE's proposed ratemaking and allocation of the after-tax gain from the transaction.
5. 67 percent of the after-tax gain of approximately $4,772,476 should be allocated to ratepayers and 33 percent allocated to shareholders.
6. The granting of the Easements does not constitute a "project" pursuant to CEQA so the transaction is exempt from CEQA review.
7. The proposed transaction complies with the Commission's Tribal Land Transfer Policy.
8. The Commission should authorize the sale of the Easements.
9. All motions not specifically addressed herein or previously addressed by the assigned Commissioner or assigned ALJ should be denied.
10. 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 grant public road and limited use easements to the City of Ontario.

2. Within 60 days after the closing date of the sale, Southern California Edison Company 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 gain on-sale and tax information related to the sale of the Easements.

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

4. Application 26-01-002 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California