Application No.:	A.25-03-001
Exhibit No.:	SCE-0001
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(U 338-E)

Testimony of Southern California Edison Company (U 338-E) in Support of Its Application for Approval Under Public Utilities Code Section 851 To Sell Its Lower Tule Hydroelectric Power Plant to Lower Tule Hydro LLC

Before the

Public Utilities Commission of the State of California

Rosemead, California
March 4, 2025

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SCE-0001

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I.

INTRODUCTION

Southern California Edison Company (SCE) respectfully requests that the California Public Utilities Commission (Commission or CPUC) authorize the sale by SCE of its Lower Tule hydroelectric power plant and associated electric generating facilities (Lower Tule Project or Project) to Lower Tule Hydro LLC (Buyer). The details of the asset sale are set forth in the Asset Purchase Agreement (APA) dated December 4, 2024, which is included as Appendix A. SCE also requests that the Commission approve the requested ratemaking treatment detailed in Chapter V. As described below, SCE is offering the Project for sale because it is a non-core asset which SCE no longer needs to provide its customers with economical and reliable electric power. The sale of the Project to Buyer is in the best interest of SCE's customers, as it is the least-cost outcome compared to the alternatives of retaining and repairing the assets for continued operation and/or decommissioning the assets. This Application is made pursuant to California Public Utilities Code Section 851 and Articles 2, 3, and 7 of the Commission's Rules of Practice and Procedure.

A. Background

SCE operates 25 hydroelectric (Hydro) projects that include powerhouses and generating units, dams, stream diversions, and water conveyance systems consisting of tunnels, conduits, flumes, and flow lines.[1] Cumulatively, SCE's Hydro facilities have 1,164 megawatts (MW) of nameplate generating capacity. SCE's Big Creek system accounts for 1,015 MW of the SCE generating capacity and includes six large reservoirs with appreciable storage that provides significant economic benefits for SCE's customers. The Big Creek system continues to be economic and is not being considered for divestment. Additionally, the Kern River No. 1 and Kern River No. 3 projects account for approximately 66 MW of the 150 MW of generating assets outside of Big Creek. While the two Kern Projects do not have

[1] SCE has executed an asset purchase agreement with San Bernardino Valley Municipal Water District (SBVMWD) for the sale of seven of SCE's Hydro projects. SCE is currently seeking approval of the transaction with SBVMWD in Application (A.)24-08-012; SCE has also executed an asset purchase agreement with Fontana Union Water Company (FUWC) for the sale of two of SCE's Hydro projects. SCE is currently seeking approval of the transaction with FUWC in Application (A.)24-09-008.

reservoir storage, their capacity factors have historically averaged 51%, and their size provides reasonable economies of scale, so they are not under consideration for divestment. SCE's small Hydro assets (16 Hydro projects) make up the remaining 95 MW in SCE's Hydro portfolio. The average capacity of SCE's small Hydro projects is 4.3 MW, with the largest rated at less than 13 MW.

Until recently, divestment of SCE's small Hydro assets seemed unlikely because of their renewable energy benefits. However, due to the age of the existing infrastructure, much of which exceeds 100 years, and increasing costs to license and operate the facilities, some of SCE's small Hydro projects are being retired or divested. Some of the small Hydro projects in SCE's portfolio have limited reservoir storage, but most are run-of-the-river systems, meaning power is only generated when water is flowing. The limited reservoir storage and run-of-the-river nature of the small Hydro projects decrease their ability to be optimized for market revenue, resulting in a reduced benefit to customers.

Additionally, the Federal Energy Regulatory Commission (FERC) relicensing process has the potential to further challenge small Hydro economics by requiring increased capital expenditures for relicensing and continued operation. Almost all of these small Hydro assets entered service between 1899 and 1929 and, while appreciable capital refurbishment and improvement has been made over their lives, much of this infrastructure is original equipment that requires significant additional refurbishment if operations are to safely and reliably continue for several more decades. Many of these small hydro assets are located in remote mountainous locations that are difficult to access which further increases refurbishment costs. The general trend of continued degradation of small Hydro economics has led to the outcome that, in some cases, divestment or decommissioning is the least-cost option for customers. In this case, the sale of the Project to the Buyer is the best option for customers.

The decision to retire a small Hydro project, either by divestment or decommissioning, is a complex one, as multiple variables can influence the economic viability of a project. These include the need to refurbish aging assets, renew FERC operating licenses through relicensing, implement new license requirements, complete environmental permitting and mitigation requirements, comply with contractual water rights requirements, and address concerns with numerous stakeholders and/or public advocacy groups. SCE's decision to divest a small Hydro project or to continue operations into the

future will be made on a case-by-case basis and will typically be linked to the FERC license renewal process.[2] Once a decision is made to retire an asset, the next decision is to determine if divestiture or decommissioning would provide a better cost-benefit to customers. Costs to decommission projects are extremely high since all the components of the Hydro facilities (i.e., powerhouses, dams, stream diversion structures, and water conveyance systems) must be removed and the project lands may need to be restored to pre-project conditions. Even if only a small number of SCE's small Hydro projects are decommissioned, costs could easily exceed $100 million dollars or more, none of which have been collected from SCE's customers to date for the Project in this Application. As such, SCE determined that divestment of a Hydro project, provided the project can be sold, generally yields a greater benefit to customers compared to the cost of decommissioning and began the process to pursue the sale of several small Hydro facilities in 2020.

1. Small Hydro is No Longer a "Forever Asset"

There are many considerations that must be evaluated by SCE when determining whether to decommission or divest a project, including FERC rules which do not allow SCE to cease operations of FERC-licensed small Hydro facilities, such as the Lower Tule, without a plan to decommission or divest. As stated above, most of these projects have been in service for approximately 100 years and much of the infrastructure is original equipment that may require significant refurbishment for continued operation. With respect to continuing operations, the FERC licensing and other facility needs can require substantial capital investments that would inherently make the projects uneconomic and only delay, but not eliminate, future decommissioning. For example, new license terms and/or conditions are prone to requiring expensive infrastructure modifications, such as a fish screen to provide required flow releases. As a result, FERC relicensing costs can range from $3.5 to $7 million[3] per project. As further discussed in Chapter IV, SCE evaluated the net customer cost to continue operations, the net customer cost to

[2] FERC license expiration dates for SCE's small Hydro plants span from 2021 through 2033.

[3] Estimated relicensing costs are based on historical spend incurred by SCE, which is approximately $5 million per relicensing proceeding. The relicensing cost will vary by project due the complexity of the project and the potential effect of the Hydro operations on environmental and cultural resources.

decommission, and potential interest from third parties to purchase the Project. Using its Present Value of Revenue Requirement (PVRR) model, SCE determined that a sale at the agreed upon purchase prices would be the least-cost path forward for customers.

B. Overview of Asset Purchase Agreement

As described above, SCE began formally exploring the possibility of divesting many of its smaller and less-economic Hydro facilities in 2020, and in 2022 initiated a divestment process with potential bidders to sell ten small Hydro projects (which included the Lower Tule Project). The process resulted in SCE executing the APA for the Lower Tule Project with the Buyer on December 4, 2024. The Project assets are being transferred to the Buyer in "as-is and where-is" condition. At closing, SCE will make a payment (Transfer Payment) to the Buyer $5.970 million and an Estimated Cost-of-Ownership Charge of $2.918 million for the Lower Tule Project. Closing of the transaction is subject to CPUC approval of this Application, including SCE's proposed ratemaking treatment. Closing is also subject to the concurrent FERC license transfer approval process described in Chapter VI. Additional terms and conditions of the APA are described in Section III.C.2 below.

C. The CPUC Should Approve the Sale and SCE's Ratemaking Proposal as Reasonable

As mentioned above, FERC will not allow SCE to cease operations without a plan to divest or decommission FERC-licensed Hydro facilities. SCE has met this obligation through its auction and the resulting APA described in detail below for the FERC-licensed Lower Tule Project. Additionally, SCE's PVRR analysis demonstrates that the sale of the Project to the Buyer at the agreed upon purchase price is the best economic outcome for customers when compared to the alternatives of decommissioning the facilities or making significant capital investments to repair damaged water conveyance infrastructure, and continue operations.

SCE's transaction with the Buyer complies with all applicable Commission requirements and is in the public interest, consistent with Public Utilities Code Section 851. SCE's proposed ratemaking treatment is consistent with the Commission's gain/loss on sale of utility assets and follows the "percentage allocation rule." As a result of the transaction, SCE is proposing a rate base reduction of

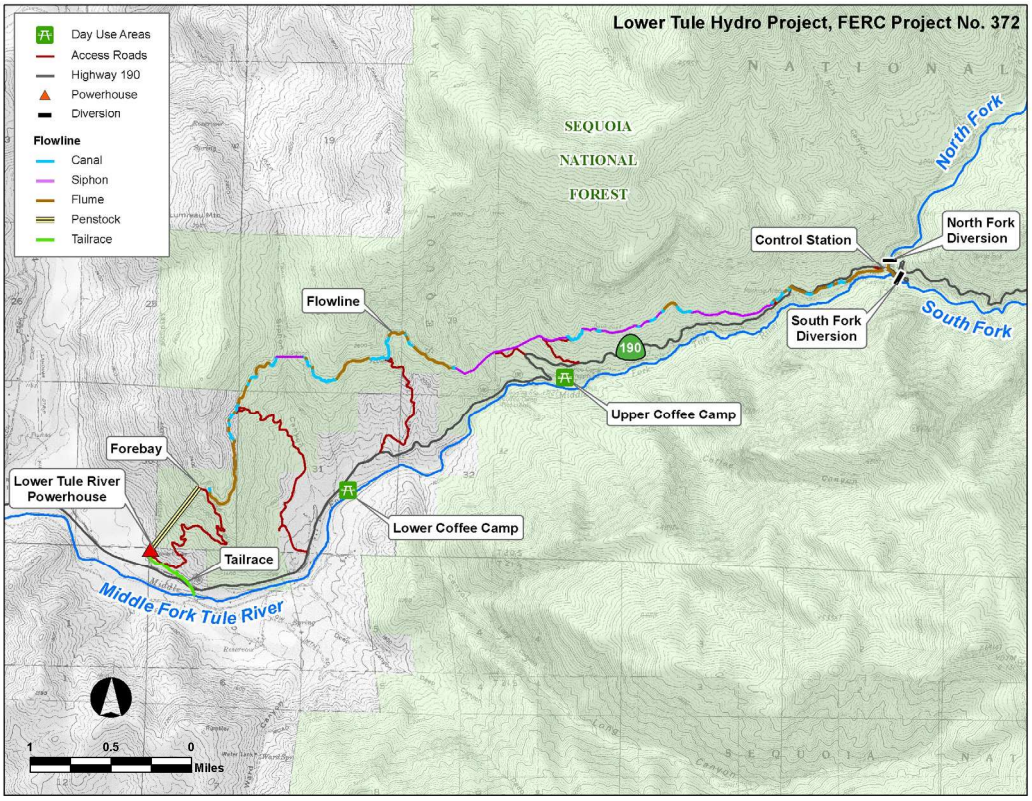
approximately $12.4 million upon the close of sale. SCE's full ratemaking proposal is discussed in Chapter V.

II.

DESCRIPTION OF SMALL HYDRO ASSETS TO BE SOLD

The Project to be sold consists of one powerhouse with an aggregate capacity of 2.5 MW. The Project has not been operational since 2017 due to damage to the water conveyance flowline caused by the Pier Fire. Beginning operations in 1909, the Lower Tule Project is located along the Tule River and Highway 190, east of Springville, CA. Its FERC license number is 372, which expires on August 31, 2034. The Lower Tule Project consists of the following components: (1) two small diversion dams, (2) 6-miles of flowline, (3) a 3.4-acre forebay, (4) a 2,815-foot-long penstock, and (5) a 2.5 MW powerhouse with two 1.25MW units. A map of the Lower Tule Project is provided in Figure II-1 below.

Figure II-1
Lower Tule Hydro Project Map



III.

REASONABLESS OF TRANSACTION

A. SCE's Small Hydro Auction Process

SCE hired Bodington & Company (B&Co) in 2021 to advise on the sale and to assist with bid evaluation, including testing the assumptions in SCE's PVRR analysis. B&Co is an investment banking firm that specializes in power generation and has a wide range of experience assisting clients with power project transactions in the state of California, including six completed hydroelectric transactions for Pacific Gas and Electric Company (PG&E), and elsewhere including hydroelectric project sales for Xcel Energy. B&Co analyzed the projects in SCE's Small Hydro auction and advised SCE in advance of an auction that, like the PG&E Kern and Tule transactions, buyers would be unlikely to bid positive purchase prices. B&Co also prepared a detailed information memorandum[4] and an operation and financial model for the projects and set up a virtual data room. SCE launched an auction process on March 3, 2022. The first phase of the auction was to contact potential buyers and make announcements requesting submission of indicative proposals. B&Co contacted over 60 potential buyers and called each one every week until interest was declined or affirmed by a proposal. The initial marketing list for potential buyers included six water beneficiaries; seven water infrastructure funds; 24 independent power producers (IPPs); and 26 investment, consultant, and other companies. Additionally, B&Co also advertised the opportunity in various industry news outlets including Hydro Review and California Energy Markets. The outreach resulted in SCE executing 26 non-disclosure agreements with potential buyers. Six parties submitted indicative proposals.

SCE then reviewed and evaluated the indicative proposals submitted by interested parties to: 1) determine whether the bidder met mandatory requirements, such as operating experience, ability to meet FERC requirement to hold a license, and no contingency for a power offtake agreement; 2) preliminarily assess the bidder's credibility, ownership portfolio of projects, and financial ability to consummate the transaction; and then 3) assess potential adders/subtractors to purchase price.

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[4] *See* Appendix B in SCE-02.

All six parties that submitted indicative proposals met the Phase 1 screening criteria and were moved to Phase 2 of the auction. Two parties were part of a consortium of water agencies that had previously submitted an unsolicited expression of interest for East End assets; three parties were developers, owners, and operators of hydroelectric projects; and one party intended to use the power to produce and sell green hydrogen. SCE and B&Co invited finalists to site visits, conducted interviews and responded to their questions, and requested submission of final bid offers in the form of letters of intent with final pricing and terms, including a purchase agreement term sheet. Phase 2 of the auction concluded on September 2, 2023 with five parties submitting final bids. Three of the final portfolio bids included bids for the Project.

SCE reviewed all offers submitted by the potential buyers and selected the final buyers that best met the objectives of the sale. This was done by comparing the PVRR inclusive of the final offered prices against the PVRRs of the continued ownership scenarios. In addition to the PVRR of each offer, other factors were considered and evaluated with the objective of achieving the highest value for SCE customers, including the highest confidence in completing the sale.

Adders, both quantitative and qualitative, that were considered included:

- Inclusion of all or large amount of the portfolio including high-risk assets in the offer, and
- Whether buyers were natural buyers, such as consumptive water rights holders or owners of other hydro assets adjacent to the SCE project(s) they are acquiring.

Subtractors, both quantitative and qualitative, that were considered included:

- Inclusion of single, small group or only most attractive assets in the offer
- Existence of post-sale risk exposures,
- Contingencies,
- Carve-outs and purchasing requirements set by bidders,
- Concerns over CPUC/FERC approvals,
- Extended timelines to close, and
- Questionable financial wherewithal to complete transaction and operate assets.

B. Bid Evaluation

SCE conducted a quantitative evaluation comparing bids against the PVRRs of repair and continue operations and decommissioning of the associated hydro Project to confirm if the bids were the least cost path for customers. SCE then compared the bids against each other from a quantitative perspective, also taking qualitative factors into consideration. All bids during the Phase 2 auction effectively resulted in negative transfer prices for the assets but offered better economics to customers when compared to both repair and continue operations and decommissioning. B&Co also prepared its own analysis and comparison of the proposals considering quantitative and qualitative factors and submitted that analysis to SCE for consideration. After consideration of the SCE and B&Co analyses, SCE entered into exclusive negotiations with the Buyer for the sale of the Project.

C. Selection of Lower Tule Hydro LLC

1. Buyer Description

Lower Tule Hydro LLC is managed by and affiliated with Sorenson Engineering, Inc and Ted S. Sorenson. Affiliates of Lower Tule LLC, under the control of Sorenson Engineering and Ted S. Sorenson, own or lease and operate 30 hydroelectric projects, 24 of which are licensed or exempted by FERC. As a consulting business, Sorenson Engineering and Ted S. Sorenson have experience in aiding other small hydro owner/operators with FERC license applications, transfers, amendments, compliance, re-licensing, design, and construction. Most notably, the CPUC granted PG&E's application to sell the Tule River Hydro Electric Project to Tule Hydro LLC, a subsidiary company of Sorensen Engineering.[5] The Buyer has expertise in repair and rehabilitation of small hydroelectric projects and intends to restore the Lower Tule project to operations.

2. Portfolio Sale Price, Terms and Conditions

The proposed transaction is beneficial for both SCE customers and Buyer, and the Transfer Payment is a fair valuation based upon the interest of both parties. The parties agreed to a Transfer Payment of $5.970 million and an Estimated Cost-of-Ownership Charge of $2.918 million for

[5] D.22-11-002 Decision Authorizing Pacific Gas and Electric Company Sale of the Tule River Hydroelectric Project to Tule Hydro LLC (A.22-02-010).

the Lower Tule Project, both payable from SCE to Buyer upon closing of the transaction. The Transfer Payment will be adjusted by any changes to the Final Cost-of-Ownership Charge from the Estimated Cost-of-Ownership Charge as reflected in Generator Interconnection Agreement (GIA) for the Project. The Transfer Payment does not include the cost estimate for the interconnection facilities and upgrades, which is a separate cost to be incurred by SCE on behalf of the Buyer.[6] Additional details on the GIA are provided in section III.C.2.a below.

The assets being transferred to the Buyer pursuant to the transaction are described in Chapter II above and in the APA. SCE will pay the Buyer the Transfer Payment at closing. The APA also contains mutual representations, warranties, and indemnities. In the APA, the parties agree to cooperate in obtaining all approvals, permits and consents required to consummate the sale. SCE is selling the Project in its "as-is and where-is" condition, with the Buyer assuming all obligations and liabilities for repairing, restoring and operating the facilities after the close of the sale, thereby eliminating such risk for customers. As stated in the APA, the Buyer will also provide a Purchaser Parent Guaranty from Ted S. Sorenson in the maximum amount of $350,000, which may be enforced by SCE in the event the Buyer fails to satisfy its payment obligations to SCE under the APA. The closing conditions to the sale of the Project include the following:

- Project permits required to operate the Project are transferred to Buyer,
- The generator interconnection agreement for the Project is finalized and executed,
- CPUC approval of this Application,
- FERC license transfer approval is obtained, and
- Unless otherwise mutually agreed in writing, a purchase agreement for the Kaweah project, owned by SCE, has been executed and delivered by the Parties[7]

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6 This is consistent with D.20-09-027, which approved PG&E's sale of its Kern Canyon Hydro project and permitted recovery of interconnection costs. *Id.* at 5.

7 As part of its Small Hydro Auction Process, SCE is also currently negotiating terms with Lower Tule Hydo LLC for its Kaweah Hydroelectric project.

a) Generator Interconnection Agreements

A condition precedent to the closing of this transaction is execution of a generator interconnection agreement for the Project. As discussed above, the Project began operations in 1909. SCE or its predecessor have been the sole owners and operators of the Hydro facility since construction. The Project is connected directly to SCE's distribution system. Now that the Lower Tule Project will be transferred to the Buyer, SCE must ensure the proper protections and equipment are installed to separate the third-party-owned facility from SCE's distribution system. Accordingly, SCE's Transmission and Distribution (T&D) Grid Interconnection and Contract Development team worked with T&D Engineering to perform a Facilities Study Technical Assessment of the Project. The report, issued on June 30, 2021, contained the results of the evaluation to identify additional facilities and upgrades required to enable compliance with T&D's current standards for interconnection service under the Rule 21 Tariff[8] for this small Hydro facility.

b) Interconnection Facilities Installation

The APA requires SCE to commence the design and engineering, procurement and installation of the interconnection facilities for the Lower Tule Project prior to closing and, following the closing of the transaction, to continue such pre-closing interconnection as needed and to undertake the design and engineering, procurement and installation of the post-closing interconnection facilities upgrade work. SCE anticipates the pre-closing interconnection facilities work to be completed by approximately February of 2026 and the interconnection facilities work that will commence following the closing of the transaction to be complete approximately 27 months following the closing.

[8] The FERC open access tariff, which is a set of regulations that require public utilities to provide non-discriminatory access to their transmission networks, was first established in 1996. This required utilities to offer the same transmission services to others as they do to themselves, ensuring fair competition in the electricity market.

IV.

ALTERNATIVES TO SALE

To ensure the sale of the Project is in the best interest of its customers, SCE evaluated the alternatives of (a) repairing and continuing to operate the Project or (b) decommissioning the Project. SCE's PVRR methodology described in the section below examines these two alternatives and how they compare to the sale.

A. PVRR Analysis of Alternatives Considered

SCE identified and evaluated three alternatives for the Project:

1) Repair and continue operation of the Project and renewal of FERC license when current license expires
2) Decommission the Project in 2035
3) Sell the Project to third party

The comparison of the cost to customers in each of the scenarios is presented in the PVRR analysis below in Table IV-1. This analysis shows that selling the Project is estimated to save customers an aggregate of $17.4 million in terms of PVRR due to the avoided costs of repair & continued operations and or decommissioning.

Table IV-1
Total Cost to Customers
PVRR Alternative Scenarios $ in Millions

Project	Repair & Continue Operation (a)	Decommission (b)	Sale (c)	Lower of (a) or (b) = (d)*	Savings (d) - (c)
Lower Tule	$101.8	$57.6	$40.2	$57.6	$17.4

*This column represents the lower of either (a) the repair and continue operation column or (b) the decommission column. The sale option (c) is the least cost alternative to customers, which results in the customer savings.

1) Repair and Continue Operation

This scenario assumes continued recovery of capital previously invested in the Project. Depreciation rate for Hydro assets is based on the remaining FERC license term. This scenario reflects the revenue requirement associated with future O&M, capital expenditures, repair costs to re-operationalize the currently inactive Lower Tule plant, decommissioning costs, and net of forecasted market revenues (including value of energy, capacity and renewable energy credits). Because SCE has not been authorized to collect decommissioning funds for this Project, the analysis assumes recovery of future decommissioning costs starting in base year (2024) until physical decommissioning starts in 2073 (at the end of the next FERC license term).

2) Decommission

This scenario assumes continued recovery of capital previously invested in the Project and future O&M and capital costs net of forecasted market revenues in the same manner as Repair and Continued Operation scenario until the decommissioning of the Project. However, this scenario assumes recovery of future decommissioning costs starting in base year (2024) until physical decommissioning starts in 2035.

3) Sell to Third Party

SCE is proposing to recover the unrecovered capital previously invested in the Project, comprised of the undepreciated plant in service in the year the sale closes if the sale is approved by the Commission. Those costs are added to the Transfer Payment, interconnection costs, and transaction costs. This scenario reflects revenue requirement associated with future costs until the closing date that include O&M. Future capital expenditures and decommissioning costs are not incorporated.

The Decommission and Repair & Continued Operation scenarios both result in higher costs to customers than the Sell scenario for the Project. By selling the Project, customers would avoid: (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.

V.

RATEMAKING PROPOSAL

This chapter presents SCE's calculations of the gain/loss on the sale of the Project, SCE's request to apply the Commission's percentage application rule to the transaction, and SCE's proposed ratemaking treatment for the transaction.

A. Original Cost, Book Value, and Purchase Price & Tax Effect

The total historical cost (Original Cost) of the Project is approximately $38.2 million. The historical cost less accrued and forecasted allocated reserve (accumulated depreciation) of $21.7 million value of the Project results in an aggregate Net Book Value of approximately $16.5 million at closing in 2026. The aggregate negotiated Transfer Payment from SCE to Buyer will be $8.9 million.

The aggregate pre-tax loss-on-sale is estimated to be $31.1 million. A table showing sales price, expenses, tax effects, and the resulting gain/loss calculation for customers and ratepayers for the Project is shown below in Table V-2. The amounts cited and shown in this Application are estimated values at closing in 2026. The actual amounts will be based on the book values as of the actual closing date.

Table V-2
Sales Price and Gain/(Loss) Impact ($ in Millions)

Category	Lower Tule
Sale Price	(8.89)
Interconnection Cost	(5.23)
NBV: Depreciable Property	(16.50)
NBV: Non-Depreciable Property	(0.00)
Transaction Cost	(0.50)
Gain/(Loss) before Income Taxes	(31.12)
Total Tax Liability (Benefit)	(6.80)
After Tax Gain/(Loss)	(24.32)
Customers' After-Tax Gain/(Loss)	(24.32)
Shareholders' After-Tax Gain/(Loss)+	(0.00)
Tax Gross-Up	1.39
Revenue Requirement*	33.77

+ Consistent with the "percentage allocation rule" in OP4 of D.06-05-041 (100% of depreciable assets to customers; 67% of non-depreciable assets to customers and 33% of non-depreciable assets to shareholders), the shareholders' total after tax gain/(loss) of this sale is ($1,139).

* The revenue requirement tax gross-up can be expressed formulaically: Revenue Requirement x 1/(1-Current Composite Tax Rate). The Composite Tax Rate is comprised of the highest federal and California marginal rates in effect, currently 21% for federal and 8.84% California. The state rate is effectively reduced to 6.98% to reflect the federal benefit of a deduction for state taxes.

B. Ratemaking and Gain (Loss) on Sale Decision

SCE proposes the following ratemaking for the sale transaction, which was not reflected in SCE's 2025 GRC forecast. Rate base will be reduced by the amount of the historical costs less (1) depreciated value of the assets and (2) deferred income taxes (discussed below), when the sale closes.

SCE proposes to recover the pre-tax loss on sale,[9] inclusive of the interconnection costs and transaction costs (totaling approximately $5.2 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).[10] Amounts recorded in PABA are recovered from bundled and non-exempt departing load customers through generation and vintaged Power Charge Indifference Adjustment (PCIA) rates.

SCE proposes to recover any remaining regulatory tax assets related to the Project 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 Project 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 Project's retired rate base and maintenance costs requested in the 2025 GRC upon close of the sale by recording a credit of approximately $1.1 million per annum in PABA. This revenue reduction will be applied to the remaining periods in the 2025 GRC cycle from the closing of the sale.

In sum, SCE's proposed ratemaking treatment results in a substantial net benefit to customers compared to continued operations and or decommissioning.

Lastly, 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 following closing. Such a process is consistent with procedures that have been followed in sales of PG&E hydroelectric facilities such as the Merced Falls Hydroelectric Project Sale approved in D.16-10-026, Narrows Hydroelectric Project Sale approved in D.19-10-010, Deer Creek Hydroelectric Project Sale approved in D.19-10-011, Chili Bar

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[9] The after-tax loss on sale SCE proposes to recover from customers is less the $1,139 loss on non-depreciable assets allocated to shareholders, consistent with the "percentage allocation rule."

[10] *See* p. 3 of Advice 3914-E "Establishment of the Portfolio Allocation Balancing Account in Compliance with Decision 18-10-019" that describes how the Legacy UOG subaccount will be used to record the costs, realized market revenues, and imputed revenues of SCE's utility-owned generation that was installed before 2002.

Hydroelectric Project sale approved in D.20-11-024, the Kern Canyon Hydroelectric Project sale approved in D.20-09-027, and the Tule River Hydroelectric Project sale approved in D.22-11-002. SCE requests that the Commission approve the process discussed above for calculating and allocating the estimated loss on the sales in its decision in this Application and specific amounts to be so allocated upon review of a compliance advice letter to be filed by SCE within 60 days following the closing. To the extent that SCE incurs costs following the closing, SCE proposes to file a subsequent Tier 1 advice letter upon completion of the work.

1. Application of Loss on Sale by Facility

SCE requests that the accounting loss from the sale of the Project be recovered in accordance with Ordering Paragraphs 4 and 9 of the Commission's Gain on Sale of Utility Assets decision, D.06-05-041, as modified by D.06-12-043. Specifically, Ordering Paragraph 4 of D.06-05-041 states that 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) applies to routine asset sales where the sale price is $50 million or less and the after-tax gain or loss from the sale is $10 million or less, and Ordering Paragraph 9 of D.06-05-041 allows for utilities to seek allocation of an after-tax loss of $50 million or less pursuant to the same "percentage allocation rule." Accordingly, SCE seeks allocation per the "percentage allocation rule" for the Lower Tule Project consistent with Ordering Paragraph 9, based upon its sale price and after-tax loss amount shown in Table V-2. SCE's request to apply the percentage allocation rule is consistent with other utility asset sales, notably, PG&E's Kern Canyon sale approved in D.20-09-027, and Tule River Hydro sale approved in D.22-11-002.

VI.

RELATED PROCEEDINGS

Section 8 of the Federal Power Act[11] provides that FERC licenses may be transferred only with the written approval of FERC. SCE, as the licensee, and Buyer, as the license transferee, must file a joint application with FERC that seeks FERC's approval to transfer the Lower Tule Project's FERC license to Buyer and sets forth the qualifications of Buyer to hold the license and to operate the Project. Therefore, SCE and Buyer will be jointly filing a license transfer application with FERC in February 2025 for the Lower Tule Project. SCE expects FERC to approve the transfer application because it is in the public's interest and because Buyer has the capability to operate the Project. SCE expects approval from FERC in approximately 12 months.

[11] 16 U.S.C. § 801.