



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED

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May 30, 2025

Agenda ID #23541
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-08-003:

This is the proposed decision of Administrative Law Judge Valerie U. Kao. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's July 24, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:nd3

Attachment

Decision **PROPOSED DECISION OF ALJ KAO** (Mailed 5/30/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval under Public Utilities Code Section 851 for the Sale of Its General Office Building #5 Property.

Application 24-08-003

**DECISION REGARDING SOUTHERN CALIFORNIA EDISON COMPANY'S
PROPOSED SALE OF ITS GENERAL OFFICE BUILDING #5 PROPERTY**

Summary

This decision approves a request by Southern California Edison Company to sell its lease interest in a parcel of land in its General Office business campus under California Public Utilities Code Section 851. We find that the proposed sale is in the public interest and satisfies relevant requirements.

This proceeding is closed.

1. Background

On August 2, 2024, Southern California Edison Company (SCE) filed an application with the California Public Utilities Commission (Commission) requesting authorization pursuant to Public Utilities (Pub. Util.) Code Section 851¹ for the sale of its lease interest in a 9.23-acre parcel of land that

¹ Unless otherwise specified, all subsequent "Sections" refer to the California Public Utilities Code.

includes SCE's General Office Building #5 (Property), and allocation of the loss on sale to SCE's ratepayers. SCE purchased its lease interest in the Property in 2010 and owns the General Office Building #5 during the term of the lease; the current term of the lease expires in November 2028.

A Purchase and Sale Agreement (Purchase Agreement) included with the application states that SCE intends to sell its interest in the Property to 1515 Walnut Grove, LP, a Delaware limited liability company (Buyer), for \$13,400,000. The Purchase Agreement is contingent upon Commission approval of the transaction. The anticipated after-tax loss on the sale is estimated to be \$27,154,334. SCE estimates the decrease in rate base that would result from the transaction is \$47,397,705.²

SCE states its operations no longer require use of the office space at the building; additionally, a recent seismic review indicated serious seismic risk requiring extensive retrofitting with an approximate cost of \$40-60 million.³ The Buyer intends to also purchase the fee interest in the parcel from SCE's landlord, and raze the building and redevelop the property into an approximately 190-unit residential community following receipt of necessary local land use entitlements and associated approvals.⁴

² *Southern California Edison Company's (U-338E) Response to Assigned Commissioner's Scoping Memo and Ruling*, filed November 12, 2024 (SCE November 12, 2024 supplemental information) Appendix A; and *Southern California Edison Company's (U-338E) Response to Administrative Law Judge's Ruling Seeking Supplemental Information*, filed April 14, 2025 (SCE April 14, 2025 supplemental information) at 11.

³ *Application of Southern California Edison Company (U-338E) for Approval Under Public Utilities Code Section 851 for the Sale of Its General Office Building #5 Property*, filed August 2, 2024 (Application) at 2.

⁴ Application at 3 and SCE April 14, 2025 supplemental information at 2.

In October 2024, the assigned Administrative Law Judge (ALJ) conducted a prehearing conference to address relevant issues and establish a proceeding schedule. On October 31, 2024, the assigned Commissioner issued a scoping memorandum and ruling (scoping memo). SCE and Buyer responded to the scoping memo on November 12, 2024 and March 18, 2025. On April 14, 2025, SCE filed a document providing supplemental information regarding the impacts of the proposed transaction on environmental and social justice communities, and on customer bills. On May 5, 2025, SCE filed supplemental information detailing both its original analysis of the comparative present value revenue requirement (PVRR) of each option SCE considered, and an updated PVRR analysis.

The Commission did not receive any protest or response to the application.

2. Submission Date

This matter was submitted on May 5, 2025 upon receipt of SCE's supplemental information filing.

3. Jurisdiction

SCE has operated as a public utility providing electric services in California since 1909. SCE is an electric utility subject to the Commission's jurisdiction.

4. Compliance with Section 851

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

shall 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 proposed transaction is greater than five million dollars, therefore the provisions of Section 851 apply to the proposed transaction. Thus, our inquiry turns to an assessment of whether the transaction is in the public interest. The application states that SCE's sale of its interest in the Property will not interfere with SCE's operations or its ability to provide safe and reliable utility service.⁵ The transaction will result in removal of the Property from SCE's rate base and maintenance costs, which SCE estimates will reduce its revenue requirement by \$2.46 million annually, or a decrease of \$0.02 to the average residential customer's bill for customers not on California Alternate Rates for Energy (CARE). This financial benefit favorably impacts our consideration of whether the proposed transaction is in the public interest.

The sale proceeds will result in an after-tax loss of approximately \$27.15 million and an incremental revenue requirement of \$37.7 million, which SCE proposes to recover from ratepayers over a 12-month period. The estimated \$37.7 million incremental revenue requirement reflects the present value of costs associated with removing the asset from rate base and recovering the after-tax loss through customer rates. Consistent with Decision (D.) 06-05-041 and D.06-12-043, the full cost is allocated to ratepayers under the Commission's percentage allocation rule, as the asset is considered fully depreciable. SCE estimates the impact to residential customers to be \$0.07 per kilowatt-hour or \$0.37 to the average non-CARE residential customer's bill.⁶ The application describes three alternative options that SCE reviewed: waiting to sell the

⁵ Application at 3.

⁶ SCE April 14, 2025 supplemental information at 8-11.

Property, retrofitting and reoccupying the building, and returning the Property to the landlord at the end of the lease term. The application states that SCE and its commercial real estate broker, Coldwell Banker Richard Ellis, do not foresee the demand for office buildings strengthening over the next several years, suggesting that waiting to sell the Property is unlikely to yield a higher sales price. SCE's updated PVRR analysis evaluated multiple alternatives, including: (1) retrofitting and reoccupying the building while continuing to lease the land; (2) retrofitting with land purchase; (3) holding the property until 2030 for possible sale in a more favorable market; and (4) relinquishing the asset to the landlord at lease expiration. The proposed transaction yielded the lowest PVRR among these options, confirming it as the least-cost alternative for ratepayers. Although SCE anticipates a higher sales price in 2030, the costs to retain ownership until 2030 exceed the difference in sales price; further, SCE notes that the future building price is an assumption and SCE's confidence level on the future price is unknown. Retrofitting the building would require high capital costs to mitigate the seismic risk, which SCE's analysis indicates is uneconomical given the other usable office space in SCE's portfolio. And returning the Property to the landlord at the end of the lease term would have SCE forego the revenue from the sale and furthermore require SCE to retain ownership of a building with high seismic risk and liabilities until 2028. Both SCE's original and updated PVRR analyses show that the proposed transaction is estimated to result in the lowest cost to SCE's customers.⁷ This decision finds that the proposed transaction will likely result in the lowest cost to customers relative to the

⁷ *Southern California Edison Company's (U-338E) Response to Administrative Law Judge's Ruling Seeking Supplemental Information*, filed May 5, 2025, at 4 and Attachments A-C.

alternatives that SCE reviewed, which further weighs in favor of the public interest.

We also consider the Commission's Environmental and Social Justice (ESJ) Action Plan. The Commission's ESJ Action Plan focuses on communities disproportionately impacted by environmental hazards and underrepresented in decision-making. It also includes but is not limited to disadvantaged communities (DAC) located in the top 25 percent of the communities identified by the California Environmental Protection Agency's CalEnviroScreen, tribal lands, and low-income households and low-income census tracts.⁸ SCE confirms that the Property is in a census tract identified in CalEnviroScreen as a DAC, and is further surrounded on three sides by other DAC census tracts. According to SCE, the Buyer presented its proposed development concept to members of the Rosemead City (City) Council, Planning Commission and community at a publicly noticed community workshop in January 2024, and additional community meetings will be held to share updates and gather further feedback, and public input will be solicited as part of the entitlement process. In place of the Property, which SCE has been using primarily for storage, the Buyer intends to develop quality housing, which will help the City meet its goals of providing for current and future housing needs and generate tax revenues for the benefit of the community. SCE further states the Buyer intends to work with City staff to apply affordable housing program funds or other incentives to the planned development. According to SCE, the planned development will include a recreational facility, a park area, and water quality basins; substantial amounts of copper and steel will be salvaged and recycled; and the Buyer is exploring the

⁸ Environmental and Social Justice Action Plan (Version 2.0) published April 7, 2022, at 11-12.

feasibility of crushing the building concrete in place for use onsite within the internal roadways and drive aisles. The new residential buildings will include solar panel systems and only electric, energy-efficient appliances; and the site landscape will be designed to meet the City's Water Efficient Landscape Ordinance.⁹ The proposed transaction and intended development of the Property appears likely to have a positive impact on broader community development objectives, which does not conflict with the Commission's ESJ Action Plan. In light of these considerations, this decision finds that the proposed transaction is in the public interest.

5. Compliance with the Commission's Tribal Land Transfer Policy

The Commission adopted the Tribal Land Transfer Policy on December 5, 2019,¹⁰ in recognition of a relationship between the State of California and California Native Americans that was "fraught with violence, exploitation, dispossession and the attempted destruction of tribal communities." The policy recognizes that the investor-owned utilities often own real property located within Tribal ancestral territories. These real properties hold historical, spiritual and other significance for California Tribes: some of these lands include the remains of California Native Americans; others are places of spiritual and

⁹ SCE April 14, 2025 supplemental information at 2-7.

¹⁰ *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*, adopted pursuant to the California Public Utilities Commission's Tribal Consultation Policy in Executive Order B-10-11 (September 19, 2011) and Executive Order N-15-19 (June 18, 2019); and Executive Order N-15-19 apologizing on behalf of California to California Native American Peoples for mistreatment, violence and neglect; and establishing the Truth and Healing Council to provide Native Americans a platform to clarify the historical record and work collaboratively with the state to begin the healing process. Uniform resource locator (URL): <https://www.gov.ca.gov/wp-content/uploads/2019/06/6.18.19-Executive-Order.pdf> (accessible as of April 17, 2025).

cultural importance where California Native Americans have prayed, held ceremonies, and gathered traditional and medicinal plants. Executive Orders, federal and state laws, policies, and regulations acknowledge legal rights of access to certain lands and require state consultation with affected California Native American Tribes prior to taking actions impacting such lands. California law and policy encourages consultation and cooperation with tribal governments, particularly concerning the protection of Tribal sacred places and cultural resources.

The Tribal Land Transfer Policy provides that utilities must (1) notify the appropriate local Native American tribes¹¹ of any proposed dispositions of utility-owned real property that are subject to Section 851, and (2) allow 90 days for the tribes to respond as to their interest to take, purchase or refuse the transfer of the subject real property.¹²

The application contends that the Tribal Land Transfer Policy does not apply to the proposed transaction, citing Resolution E-5076 (guidelines for implementation of the Tribal Land Transfer Policy), which defines “disposition” as the transfer, sale, donation or disposition by any other means of a fee interest in real property, and noting that “SCE is the ground lessee of the Land and does not own the Land in fee.”¹³ During the prehearing conference, and as subsequently confirmed in SCE’s and Buyer’s supplemental filings, it was revealed that the landowner approached SCE about buying the land prior to

¹¹ According to Commission Tribal Land Transfer Policy (December 5, 2019) at 1, a “tribe” refers to a California Native American Tribe that is on the contact list maintained by the Native American Heritage Commission; this list contains both federally recognized tribes and tribes that are not recognized by the federal government.

¹² D.21-08-027 at 17.

¹³ Application at 7.

SCE's decision to divest itself of the Property.¹⁴ Thus, SCE was aware that the underlying property was available for sale in addition to SCE's building and could have provided notice to tribes of both its (SCE's) intent to sell the Property and the landowner's intent to sell the underlying land.

Although SCE does not dispute that the proposed transaction is subject to Commission approval under Section 851, SCE maintains that the Tribal Land Transfer Policy does not apply to the proposed transaction according to the specific definition of "disposition" in Resolution E-5076. We do not agree with SCE's overly narrow reading of the Tribal Land Transfer Policy implementation guidelines; this decision finds that SCE's initial failure to notify appropriate local tribes and to post the required notices to its website circumvents the clear intent of the Tribal Land Transfer Policy. SCE did ultimately follow the Tribal Land Transfer Policy and notify the appropriate local Native American tribes, albeit only at the direction of the assigned Commissioner. While possibly warranted, we will not initiate an order for SCE to show cause why it should not be sanctioned for failure to adhere to the Tribal Land Transfer Policy. This decision admonishes SCE for its initial failure to comply with the Tribal Land Transfer Policy and directs SCE to recognize the Commission's intent in adopting the Tribal Land Transfer Policy is for the regulated utilities to forge a relationship with tribes built on respect for tribal sovereignty and for tribes' long-held connection to the land.

¹⁴ Transcript at 10-13; SCE November 12, 2024 supplemental information at Appendix B; and *1515 Walnut Grove, LP's Response to Assigned Commissioner's Scoping Memo and Ruling* filed November 12, 2024, at 5.

6. Compliance with the California Environmental Quality Act

The California Environmental Quality Act (CEQA) applies to discretionary projects to be carried out or approved by public agencies.¹⁵ A basic purpose of CEQA is to “inform governmental decision-makers and the public about the potential, significant environmental effects of the proposed activities.”¹⁶ The Lead Agency is the public agency with the greatest responsibility for supervising or approving the project as a whole.¹⁷ In cases where a project requires approval from multiple public agencies, only one agency assumes the role of the “Lead Agency” and is accountable for providing the Environmental Impact Report (EIR) or a negative declaration.¹⁸ All other agencies possessing discretionary approval authority over the project are referred to as “Responsible Agencies.” To comply with CEQA, a Responsible Agency must consider the Lead Agency’s EIR, negative declaration or other CEQA analysis. The Lead Agency’s determination is final and conclusive on the Responsible Agency unless the determination is challenged under the Public Resources (Pub. Res.) Code Section 21167, circumstances or conditions change, or the Responsible Agency assumes the Lead Agency role.¹⁹

The application states that the City is anticipated to serve as Lead Agency for the review of Purchaser’s residential project. This decision confirms that the

¹⁵ Pub. Res. Code § 21000, *et seq.*

¹⁶ Title 14 of the California Code of Regulations (CEQA Guidelines), § 15002(a)(1).

¹⁷ CEQA Guidelines § 15051(b).

¹⁸ CEQA Guidelines § 15050.

¹⁹ *Id.*, § 15050(b)-(c).

Commission is not the Lead Agency for purposes of environmental review under CEQA for the Property.

7. Ratemaking Treatment of the Proposed Sale

The Commission's policy on gain/loss on sale of utility assets allows utilities to seek allocation of an after-tax gain or loss of \$50 million or less pursuant to D.06-05-041, as modified by D.06-12-043 (referred to as the percentage allocation rule), wherein 100 percent of depreciable assets are allocated to ratepayers, 67 percent of non-depreciable assets are allocated to ratepayers, and 33 percent of non-depreciable assets are allocated to shareholders.²⁰

For the Property, SCE proposes that the allocation of gain or loss on sale be recovered in accordance with the percentage allocation rule. Because SCE does not own the underlying land, the proposed transaction only includes depreciable assets, for which SCE would allocate 100 percent of the after-tax loss to ratepayers. Based on these rules, SCE estimates that the sale of the Property for \$13.3 million less estimated transaction costs, historical cost of the Property, and the accumulated depreciation value of the Property to be sold would result in an estimated after-tax loss on sale of \$27,154,334. SCE proposes to recover the loss on sale by recording debits in its Base Revenue Requirement Balancing Account of approximately \$37.7 million, an approximately \$0.37 increase to the average non-CARE residential bill, over 12 months.

SCE proposes to true up the final financial information and submit a Tier 1 advice letter that provides the actual price and loss for the sale of the Property no later than 90 days following the close of the sale of the Property. The actual loss

²⁰ D.06-05-041 as modified by D.06-12-043.

may be different than the amount estimated by SCE, however the allocation of gain or loss on sale should remain consistent with the percentage allocation rule.

We approve SCE's proposed ratemaking treatment for the sale of the Property, as it is consistent with the Commission's percentage allocation rule.

8. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) 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.

As of May 6, 2025, the Public Comment tab for this proceeding included 16 public comments, all of which opposed any rate increase. Four of the comments also noted that the link provided in the bill enclosure incorrectly directed customers to "www.apps.cpuc.ca.gov". Two comments asked for an audit of the company. One comment also raised issues with SCE's customer service, stating that SCE does not provide an email summary of what was discussed and any resolutions that were agreed on, and that SCE does not enable tracking and follow-up in the case of an ongoing issue; further, that SCE does not provide the ability to schedule payments or to pay an amount other than the entire bill, all of which create additional hardship for struggling individuals and businesses.

9. Procedural Matters

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

10. Comments on Proposed Decision

The proposed decision of ALJ Valerie U. Kao in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on _____, and reply comments were filed on _____ by _____.

11. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Valerie U. Kao is the assigned ALJ in this proceeding.

Findings of Fact

1. SCE seeks the Commission's approval to sell its lease interest in a 9.23-acre parcel of land in the City. SCE's General Office Building #5 is located on the parcel.
2. No party filed a protest or response to SCE's application.
3. SCE and Buyer entered into a Purchase Agreement for Buyer to purchase the Property for \$13,400,000.
4. The sale will occur after SCE obtains Commission approval.
5. The purpose of the sale is to redevelop the Property into a multi-unit residential community.
6. The proposed transaction will not interfere with SCE's utility operations or with service to SCE's customers and the public.
7. The proposed transaction will benefit ratepayers in the form of reduced revenue requirements associated with retaining the Property.
8. SCE failed to notify tribes of its intent to sell the Property prior to seeking Commission approval of the proposed transaction.
9. SCE complied with the Commission's Tribal Land Transfer Policy following the issuance of the assigned Commissioner's scoping memo.

10. The Commission is not the Lead Agency for purposes of environmental review under CEQA for the Property.

11. The estimated after-tax loss on the sale is \$27,154,334.

12. The proposed transaction only includes depreciable assets, for which SCE would allocate 100 percent of the after-tax loss to ratepayers.

13. SCE's proposed ratemaking treatment for the proposed transaction is consistent with the Commission's percentage allocation rule.

Conclusions of Law

1. The proposed transaction is in the public interest and complies with Pub. Util. Code Section 851. Sale of the Property enables beneficial redevelopment while also relieving SCE ratepayers from the revenue requirement associated with retaining the Property.

2. The proposed transaction does not conflict with the Commission's ESJ Action Plan.

3. The Commission is not the Lead Agency for purposes of environmental review under CEQA for the Property.

4. The proposed transaction complies with the Commission's Tribal Land Transfer Policy.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is authorized to enter into and perform under a Purchase and Sale Agreement with 1515 Walnut Grove, LP to sell its lease interest in 9.23 acres of land located in Rosemead, as provided in Appendix A of the application.

2. Southern California Edison Company shall follow the ratemaking treatment for the sale of the Property as described in Section 5 of the application and Section 6 of this decision.

3. Within 60 days after the closing date of the Purchase and Sale 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 gain or loss on sale and tax information related to the transaction.

4. Application 24-08-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.