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ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY)
 (U 338-E) for Ex Parte Authorization)
 to Record in A Memorandum Account the)
 Costs Associated with its Hazardous)
 Waste Management Program at the)
 Venice Manufactured Gas Plant site in)
 Accordance with Decision 87-12-066.)

Application 88-03-013
(Filed March 7, 1988)

OPINION

Summary of Decision

We authorize Southern California Edison Company (Edison) to establish a memorandum account to record up to \$417,000 in expenses related to its Hazardous Waste Management Program at the Venice Site.

Background

On March 7, 1988, Edison filed Application (A.) 88-03-013 requesting approval to record into a memorandum account specified costs associated with its Hazardous Waste Management Program (HWMP) at the Venice Manufactured Gas Plant site in accordance with the procedure adopted in Edison's 1988 Test Year general rate case Decision (D.) 87-12-066. Edison requests ex parte treatment of this application.

D.87-12-066, adopted a procedure for the funding of Edison's hazardous waste management costs. The decision required Edison to file an application to receive authorization to record in a memorandum account expenses for specific HWMP projects. According to D.87-12-066, the expenses recorded in the memorandum account could be recovered in rates in a subsequent Energy Cost Adjustment Clause (ECAC) or general rate case proceeding following a reasonableness review.

Hazardous Waste Management Program

HWMP is designed to investigate sites potentially subject to federal, state, and local requirements that mandate the assessment and mitigation of risks posed by hazardous waste disposal sites, and to take remedial action required at such sites.

1. Laws Covering Hazardous Waste Management

The most significant federal law which provides for the cleanup of hazardous substance releases into the environment is the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). Superfund is the federal statute enacted in 1980 and amended in 1986. According to Superfund those responsible for the released hazardous wastes are liable for the financial burden of the cleanup. California has a companion state Superfund law that addresses the issue of financial responsibility in a similar fashion.

An essential provision of the Superfund law is that waste generators remain potentially liable for cleanup and other costs associated with such sites even though waste generation and disposal may have occurred many years ago and despite the fact that the waste may not have been deemed hazardous at the time of its disposal. No public funds are available in cases where the enforcing agency can identify responsible parties or a potentially responsible party (PRP) with the ability to pay these costs.

The Superfund laws apply to sites that have been identified by the Environmental Protection Agency (EPA), the California Department of Health Services (DHS), other local agencies with cleanup jurisdiction or another PRP. Under the Superfund and other federal laws, EPA can require any PRP(s) to provide documentation and information regarding past waste disposal practices. EPA can also require the PRP(s) involved to proceed with investigative and/or remedial work at a contaminated site.

2. Manufactured Gas Plant Sites

Systematic investigation of potential problems at its former Manufactured Gas Plant sites is one of the important activities covered by Edison's HWMP. Prior to availability of natural gas in the 1920s synthetic gas was manufactured from fossil fuel (predominantly coal and oil). Typically, each town had its own gas manufacturing plant. These early gas manufacturing plants were the forerunners of the natural gas industry as we know it today. In addition to manufacturing gas from coal, these plants produced by-products including tars, oils, and lampblack. Most of the by-products had commercial value and were commonly sold. However, residues of these materials may still be present in the soil at former gas manufacturing plant sites. The technical name for the chemical constituents of greatest concern in plant residues is "polycyclic aromatic hydrocarbons" (PAHs). Other chemicals that may be present at manufactured gas plant sites include non-PAH organic compounds, asbestos, cyanides, and traces of heavy metals.

In recent years, gas manufacturing sites have become a focus of environmental concern, because they may pose public and employee health risks and may be subject to the previously described Superfund laws. Accordingly, the current owner of a former gas manufacturing site as well as the owner or operator of a gas manufacturing facility at the time of disposal of any residues are potentially liable.

The gas manufacturing program also involves sites where two or more utilities shared past ownership and/or responsibilities for cleanup efforts. These sites are designated as Mutual Interest Sites. Edison and Southern California Gas Company (SoCal) have recognized that they may both have past involvement in a number of Mutual Interest Sites. To assure that the two utilities approach such sites in a coordinated manner, the utilities have agreed to share certain information to avoid performing duplicative work, to keep each other advised of developments at these sites, and to

pursue a more comprehensive generic agreement regarding how the two utilities will fully address the Mutual Interest Sites.

Venice Site

Edison and a predecessor company owned and operated a manufactured gas plant (Venice Site) at 310 South Main Street in the Venice area of the City of Los Angeles from about 1903 to 1916. At that time, the plant was sold to Southern Counties Gas Company, which has since merged with SoCal. Historical research indicates that the gas manufacturing operations ceased at the Venice Site around 1916, coincident with the Edison sale to SoCal. Most of the Venice Site remained under SoCal ownership until it was sold to the Richlar Partnership in 1977. During SoCal' ownership, the site was used as a natural gas storage and distribution center, warehouse storage, and automotive services. Subsequent to the Richlar Partnership purchase, portions of the site were sold to the Perloff Webster Company, and the Venice Operating Company, a subsidiary of Chiat/Day Advertising Inc. (Chiat/Day).

In May 1986, excavation for the construction of the new Chiat/Day corporate headquarters building uncovered a layer of malodorous soil. A preliminary investigation conducted by Edison determined the following: (1) the substances uncovered in the excavation were characteristic of waste by-products associated with manufactured gas production; and (2) literature concerning manufactured gas plant investigations in other parts of the country indicated that there may be an increased potential for public and environmental exposure when waste products are uncovered.

Based on these preliminary findings, Edison believes that it was in the public's and Edison's best interest to act quickly to: first, remove the immediate exposure potential; and, second, thoroughly investigate the construction site so Chiat/Day could proceed with construction in an appropriate manner as soon as possible.

In cooperation with Chiat/Day and with approval of DHS, the lead regulatory agency, Edison initiated a site cleanup, site contamination investigation, and public risk assessment study of the Chiat/Day property. The cleanup was completed in July 1986. The contamination investigation and public risk assessment was completed and filed with the DHS in November 1986. Edison spent approximately \$1.5 million dollars on the Chiat/Day site cleanup, investigation and risk assessment. This application does not seek recovery for any of those costs.

Pursuant to its authority under California Health & Safety (H&S) Code Sections 205 and 25355.5(a)(1)(B), DHS issued a Remedial Action Order in July 1987 directing Edison and SoCal to thoroughly investigate and remediate the potential hazardous substance contamination for the entire area of the former manufactured gas plant site. All previous work had been confined to the Chiat/Day portion of the Venice Site. In compliance with this Order, a Remedial Investigation and Feasibility Study (RI/FS) Work Plan was developed and submitted to the DHS on August 31, 1987. A revised Work Plan was subsequently submitted December 15, 1987 and approved by DHS January 12, 1988. The terms of the Work Plan call for Edison to begin the implementation of investigation activity in accordance with the schedule defined in the Work Plan. Based on results of the investigation, the order requires the preparation of a Remedial Action Plan (RAP) for the overall site.

Agreement to Share Costs With SoCal

Since SoCal was also identified as a potentially responsible party at the Venice Site, this is a Mutual Interest Site. Accordingly, Edison and SoCal entered into an agreement to share in any remaining RI/FS and the RAP costs. Before it entered into the agreement with SoCal, Edison had already committed to expend up to \$300,000. This \$300,000 commitment consists of \$200,000 for investigative costs covering site characterization and \$100,000 for remedial costs involving odor control. The \$200,000

for investigative costs are part of the total cost of complying with the DHS Remedial Action Order. Since, at the time the agreement was entered into, the total costs of the program were estimated to be \$900,000, the amount subject to the cost-sharing agreement was \$600,000. The agreement provides, among other things, that Edison and SoCal will each contribute 50% of any remaining RI/FS and RAP costs, up to \$300,000 each. Should total costs exceed the initial estimates, the agreement will be amended to reflect how such costs will be divided between the companies. Remediation costs are not covered by the present agreement. In A.87-06-021 SoCal has requested authority to book into a memorandum account \$203,000 for estimated expenses at the Venice Site.

Project Budget

Costs of complying with the DHS Remedial Action Order, excluding any site remediation costs, are currently estimated to be \$634,000. Not included in this budget is an additional \$100,000 anticipated for odor control, a remediation cost. This \$100,000 amount is excluded from the Edison/SoCal agreement since it is a part of Edison's initial \$300,000 commitment discussed earlier.

This application therefore requests authority to record up to \$417,000 of costs into a Memorandum Account. This \$417,000 amount consists of \$200,000 of the costs previously committed to by Edison plus \$217,000 covered by the Edison/SoCal agreement.

*Total Estimated Budget for RI/FS and RAP costs	\$634,000
Less Costs Previously Committed by Edison	<u>200,000</u>
Total Subject to Edison/SoCal Agreement	\$434,000
Edison Share Under Agreement (50%)	\$217,000
Plus Costs Previously Committed by Edison	<u>200,000</u>
Total Amount of Application	<u>\$417,000</u>

*Represents estimated total figure
for both Edison and SoCal.

Edison expects to spend the entire amount of its share of expenses during 1988.

Request for Ex Parte Treatment

Given the limited scope of the relief being sought and the imminent need to expend the funds described, Edison requests ex parte treatment of this application. Edison believes that the documents provided with this application are sufficient to justify the approval of this application without evidentiary hearings.

Service of Application

The application was served on all appearances in Edison's 1988 Test Year general case. No comments or protest have been filed by any party.

DRA's Recommendation

The Division of Ratepayer Advocates (DRA) recommends that Edison be allowed to establish a memorandum account to book up to \$417,000 of expenses for work at the Venice Site.

Discussion

We note that Edison has filed this application in accordance with the provisions of D.87-12-066. We also note that DRA has reviewed the application and recommended its approval. Therefore, we will approve the application and authorize Edison to establish a memorandum account to book up to \$417,000 of expenses incurred at the Venice Site.

Because of the prohibition against retroactive ratemaking, Edison will be unable to recover any of its currently incurred expenses for HWMP without the establishment of a Commission-approved memorandum account. Therefore, this application should be made effective immediately.

Findings of Facts

1. Edison filed A.88-03-013 requesting approval to book into a memorandum account \$417,000 of expenses related to its HWMP for the Venice Site.

2. DRA recommends that Edison be authorized to establish a memorandum account to book up to \$417,000 of expenses incurred at the Venice Site.

3. The application was served on all appearances in Edison's 1988 Test Year general case.

4. No comments or protest have been filed by any party.

5. Edison expects to incur these expense in 1988.

Conclusions of Law

1. This application should be granted on an ex parte basis.

2. Since Edison is expected to incur these expenses in 1988, this order should be made effective immediately.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company is authorized to establish a memorandum account to record up to \$417,000 in expenses related to its Hazardous Waste Management Program at the Venice Site.

2. Expenses recorded in the memorandum account shall be subjected to reasonableness review, and shall not be placed into rates until after such review and so ordered by the Commission.

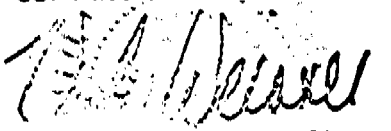
3. This proceeding is terminated.

This order is effective today.

Dated August 10, 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weisner, Executive Director

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