

Decision 89 09 032 SEP 7 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
SOUTHERN CALIFORNIA GAS COMPANY to )	
Revise its Rates and for Approval of )	Application 87-06-021
Hazardous Substance Site Cleanup )	(Filed June 12, 1987)
Program. (U904G) )	
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OPINION MODIFYING DECISION 88-07-059

Summary of Decision

This decision modifies the requirement for filing of Southern California Gas Company's (SoCal) application for reasonableness review of its hazardous waste cleanup program ordered in Decision (D.) 88-07-059.

Background

D.88-07-059 adopted, among other things, a procedure to allow SoCal to book its hazardous waste cleanup expenses in a memorandum account. D.88-07-059 requires SoCal to file an annual report by March 1 of each year starting in 1989 describing its hazardous waste cleanup activities during the previous calendar year as well as projected activities for the next 12 months. D.88-07-059 also requires SoCal to file an application for a reasonableness review of hazardous waste cleanup expenses incurred during the previous year no later than 60 days after filing its annual report (Ordering Paragraph 7).

SoCal's first application for reasonableness review of its hazardous waste cleanup expenses was due May 1, 1989. On April 7, 1989, SoCal filed a petition requesting that the filing date for the application be extended by one year, to May 1, 1990. SoCal requested the extension because its hazardous waste expenses booked in the memorandum account during the previous year were too small to justify such a filing.

Along with its petition for an extension of time to file the application, SoCal requested the Executive Director for a 60-day extension of the May 1, 1989 filing deadline. In granting SoCal the requested extension, the Executive Director noted that it was very likely that SoCal would need to make requests for similar extensions in the future.

After considering the Executive Director's concerns, SoCal amended its petition to modify D.88-07-059. In its amended petition, SoCal requests that it be required to file an application for a reasonableness review of its expenses only when the amount booked in the memorandum account exceeds \$5 million. However, SoCal realizes that extended delays between the time that the expenses are booked in the memorandum account and the time that a review of these expenses is conducted would make such reviews difficult to conduct. Therefore, SoCal proposes that it be required to file an application for a reasonableness review of its expenses at least once every three years regardless of the amount booked in the memorandum account.

In addition SoCal maintains that it must have the option of filing an application annually if it needs guidance from the Commission regarding the procedure of its past hazardous waste cleanup activities. SoCal also maintains that it would be appropriate to file an application for a reasonableness review under the following circumstances:

1. If the Commission believes that the carrying costs, which will continue to be booked in the memorandum account, will more than offset the costs associated with the reasonableness review.
2. If it appears that SoCal and the interested parties to the proceeding could arrive at a settlement of all of the issues in a case without conducting an expensive and extensive hearing.

SoCal proposes that in its annual report on its hazardous waste cleanup program, it should be required to indicate whether it will file an application for a rate recovery and a reasonableness review that year. SoCal also proposes that the filing date for such application, 60 days after the filing of the annual report, be retained.

The Division of Ratepayer Advocates (DRA) has filed a response to SoCal's original and amended petitions. DRA does not object to SoCal's requests in either petition.

Discussion

We agree with SoCal that the requirement for filing an annual application for a reasonableness review of its hazardous waste cleanup program expenses should be modified.

We also agree with SoCal's proposal to file an application for a reasonableness review if the amount booked in the memorandum account for its hazardous waste cleanup program exceeds \$5 million. This will reduce the number of proceedings that the Commission will have to process and will allow a more efficient use of the Commission's resources. We believe that extended delays between the time that expenses are booked in the memorandum and the time that a reasonableness review of such expenses is conducted would make the review very difficult to conduct. Therefore, as proposed by SoCal, we will require it to file an application for reasonableness review at least once every three years. SoCal should, in its annual report on its hazardous waste cleanup program, indicate whether it will file an application for a reasonableness review that year. Such proposal will allow the Commission to schedule its work load better.

As to SoCal's other proposed modifications of the annual filing requirements, we believe that no specific mention of the proposals is needed because SoCal can file an application for reasonableness review of its expenses annually, provided it can

justify such a filing. Likewise, the Commission can order SoCal to make such a filing whenever we find it to be appropriate.

Therefore, for reasons stated above, we will modify Ordering Paragraph 7 to read as follows:

If the amount booked into the memorandum account exceeds \$5 million on December 31st of the year for which the annual report is being filed, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

and add Ordering Paragraphs 7.a. and 7.b. to read as follows:

- 7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.
- 7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

#### Findings of Fact

1. D.88-07-059 adopted, among other things, a procedure to allow SoCal to book its hazardous waste cleanup expenses in a memorandum account.

2. Ordering Paragraph 7 of D.88-07-059 requires that 60 days after the filing of its report on the hazardous waste cleanup program, SoCal shall file an application for a reasonableness review of expenditures booked in the memorandum account, annually, beginning in 1989.

3. SoCal requests notification of Ordering Paragraph 7 of D.88-07-059 to make the annual filing of the application for a reasonableness review mandatory only when the amount booked in the memorandum account exceeds \$5 million.

4. SoCal also requests that it be required to file an application for a reasonableness review of its expenses at least once every three years.

5. Requiring SoCal to file an application for a reasonableness review of the expenses booked in the memorandum account only when they exceed \$5 million will result in efficient use of the Commission's resources.

6. Extended delays between the time the expenses are booked in the memorandum account and the time that a reasonableness review of such expenses is conducted would make the review difficult to conduct.

7. Conducting a reasonableness review of the expenses once every three years will facilitate the review process.

8. SoCal proposes to indicate in its annual report whether it will file an application for a reasonableness review that year.

9. SoCal's proposal to notify the Commission regarding the filing of the application will assist in planning the Commission's workload.

10. No party has objected to SoCal's proposal.

11. The changes requested by SoCal can be achieved by modifying Ordering Paragraph 7 of D.88-07-059 as follows:

If the amount booked into the memorandum account exceeds \$5 million on December 31st of the year for which the annual report is being filed, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

and by adding Ordering Paragraphs 7.a. and 7.b. to read as follows:

7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.

7.b. SoCal shall indicate, in its annual report, whether it will file an

application for a reasonableness review  
that year.

12. The complete ordering paragraphs as amended by this  
decision are set forth in Appendix A.

Conclusion of Law

D.88-07-059 should be modified as set forth below.

ORDER

IT IS ORDERED that:

1. Ordering Paragraph 7 of Decision (D.) 88-07-059 is  
modified to read as follows:

If the amount booked into the memorandum  
account exceeds \$5 million on December 31st of  
the year for which the annual report is being  
filed, SoCal shall file, within 60 days of  
filing its annual report, an application for a  
reasonableness review of expenditures incurred  
during the previous year, and which should be  
included in rates. This procedure shall  
commence in 1990.

2. Ordering Paragraphs 7.a. and 7.b. are added to  
D.88-07-059 to read as follows:

7.a. SoCal shall file an application for a  
reasonableness review of its expenditures  
at least once every three years.

7.b. SoCal shall indicate, in its annual  
report, whether it will file an

application for a reasonableness review  
that year.

This order becomes effective 30 days from today.

Dated SEP 7 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

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

*Wesley Franklin*

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WESLEY FRANKLIN, Acting Executive Director  
*js*

APPENDIX A

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Complete Ordering Paragraphs  
as Amended by D. 89 09 032

ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCal) is authorized to book in the memorandum account established by D.87-09-078 the expenses related to the following hazardous waste cleanup projects:

- a. Up to \$185,000 for the Olympic Base Towne Gas site.
- b. Up to \$127,000 for the Dinuba Towne Gas Site.
- c. Up to \$203,000 for the Venice site.

2. Before incurring any expenditures, SoCal shall file an advice letter for approval of funding for a hazardous waste cleanup project or group of projects. The advice letter shall contain the following information:

- A. For projects that SoCal has been ordered to undertake by a government agency, the advice letter shall include:
  - o A copy of the order(s) or directive(s) to undertake site work.
  - o A detailed work plan and schedule.
  - o A detailed budget.
- B. For site investigation or cleanup projects that SoCal has not been ordered to undertake, the advice letter shall include:
  - o A comprehensive site history and site description (to include chain-of-ownership, current and past land use, dates of



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Manufactured Gas or Towne Gas operation, hydrogeology and other physical characteristics of site).

- o A statement explaining why SoCal believes it has potential liability for site remediation.
- o A preliminary risk analysis (demonstration of environmental and/or health hazard at the site).
- o A detailed work plan and schedule.
- o A detailed budget.
- o Records of all communications with third parties regarding site contamination.

3. DRA shall review the advice letter and file comments on it with the Director of CACD within 30 days of the filing of the advice letter. DRA shall provide a copy of its comments to SoCal and to anyone who requested service of SoCal's advice letter. Any responses to DRA's comments shall be filed within 10 days of the filing of DRA's comments. The responses to DRA's comments shall be filed with the Director of CACD and shall be confined to addressing factual or legal issues raised by DRA's comments, and shall not address new issues.

4. SoCal shall book its hazardous waste cleanup costs in the memorandum account only after receiving authorization to book such expenses. Such authorization shall be requested on a project-by-project basis. The memorandum account shall accrue interest at SoCal's CAM interest rate.

5. By March 1 of each year starting in 1989, SoCal shall file an annual report describing its hazardous waste cleanup activities during the previous calendar year as well as projected

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activities for the next 12 months. The report should be filed with the Director of CACD and a copy should be filed with the Director of DRA.

6. Until such time as its next general rate case, SoCal shall not be awarded revenue increases in base rates to cover administrative and preliminary investigation expenses for its hazardous waste cleanup program.

7. If the amount booked into the memorandum account exceeds \$5 million on December 31st of the year for which the annual report is being filed, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.

7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

8. This proceeding is terminated.

(END OF APPENDIX A)

justify such a filing. Likewise, the Commission can order SoCal to make such a filing whenever we find it to be appropriate.

Therefore, for reasons stated above, we will modify Ordering Paragraph 7 to read as follows:

If the amount booked into the memorandum account exceeds \$5 million, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

and add Ordering Paragraphs 7.a. and 7.b. to read as follows:

- 7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.
- 7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

#### Findings of Fact

1. D.88-07-059 adopted, among other things, a procedure to allow SoCal to book its hazardous waste cleanup expenses in a memorandum account.
2. Ordering Paragraph 7 of D.88-07-059 requires that 60 days after the filing of its report on the hazardous waste cleanup program, SoCal shall file an application for a reasonableness review of expenditures booked in the memorandum account, annually, beginning in 1989.
3. SoCal requests notification of Ordering Paragraph 7 of D.88-07-059 to make the annual filing of the application for a reasonableness review mandatory only when the amount booked in the memorandum account exceeds \$5 million.
4. SoCal also requests that it be required to file an application for a reasonableness review of its expenses at least once every three years.

5. Requiring SoCal to file an application for a reasonableness review of the expenses booked in the memorandum account only when they exceed \$5 million will result in efficient use of the Commission's resources.

6. Extended delays between the time the expenses are booked in the memorandum account and the time that a reasonableness review of such expenses is conducted would make the review difficult to conduct.

7. Conducting a reasonableness review of the expenses once every three years will facilitate the review process.

8. SoCal proposes to indicate in its annual report whether it will file an application for a reasonableness review that year.

9. SoCal's proposal to notify the Commission regarding the filing of the application will assist in planning the Commission's workload.

10. No party has objected to SoCal's proposal.

11. The changes requested by SoCal can be achieved by modifying Ordering Paragraph 7 of D.88-07-059 as follows:

If the amount booked into the memorandum account exceeds \$5 million, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

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7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.

7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

12. The complete ordering paragraphs as amended by this decision are set forth in Appendix A.

Conclusion of Law

D.88-07-059 should be modified as set forth below.

ORDER

IT IS ORDERED that:

1. Ordering Paragraph 7 of Decision (D.) 88-07-059 is modified to read as follows:

If the amount booked into the memorandum account exceeds \$5 million, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

2. Ordering Paragraphs 7.a. and 7.b. are added to D.88-07-059 to read as follows:

7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.

7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

This order becomes effective 30 days from today.

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

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activities for the next 12 months. The report should be filed with the Director of CACD and a copy should be filed with the Director of DRA.

6. Until such time as its next general rate case, SoCal shall not be awarded revenue increases in base rates to cover administrative and preliminary investigation expenses for its hazardous waste cleanup program.

7. If the amount booked into the memorandum account exceeds \$5 million, SoCal shall file, within 60 days of filing its annual report, an application for a reasonableness review of expenditures incurred during the previous year, and which should be included in rates. This procedure shall commence in 1990.

7.a. SoCal shall file an application for a reasonableness review of its expenditures at least once every three years.

7.b. SoCal shall indicate, in its annual report, whether it will file an application for a reasonableness review that year.

8. This proceeding is terminated.

(END OF APPENDIX A)