

APR 10 1991

Decision 91-04-015 April 10, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PACIFIC GAS AND ELECTRIC COMPANY for )  
authority, among other things, to )  
accrue the costs of certain environ- )  
mental compliance projects for )  
subsequent review and recovery, as )  
appropriate, in future ECAC or GAC )  
(or successor) proceedings. )

ORIGINAL

Application 87-10-019  
(Filed October 12, 1987)

ORDER MODIFYING DECISION 88-09-020

Summary of Decision

This decision modifies the requirements for filing of Pacific Gas and Electric Company's (PG&E) application for reasonableness review of its hazardous waste management projects ordered in Decision (D.) 88-09-020.

Background

D.88-09-020, among other things, revised the procedure which allows PG&E to book expenses associated with its hazardous waste management projects in a memorandum account. D.88-09-020 requires PG&E to file, no later than 60 days after the filing of PG&E's annual report on hazardous waste management activities due on March 1 each year, an application for a reasonableness review of expenditures on projects that have been completed, and which it wishes included in rates (Ordering Paragraph 5).

PG&E's first application for reasonableness review of expenses for its hazardous waste management projects was due on May 1, 1990. On March 9, 1990, PG&E filed a petition for modification of D.88-09-020 to allow it to delay the filing of its 1990 application of reasonableness review. In its petition, PG&E requests that its reasonableness review filing be incorporated with its 1993 general rate case application, to be filed in December 1991. According to PG&E, the expenses for hazardous waste

management projects booked into a memorandum account were too small (\$300,000) to justify filing of its application.

PG&E's petition also requests that its subsequent applications for reasonableness review of hazardous waste management expenses be included as part of its general rate case applications which are filed once every three years, unless the requested rate increase for hazardous waste management projects exceeds the trigger amount of \$1 million in expenses or \$5 million in addition to rate base for hazardous waste management projects. In other words, PG&E requests the ability to file, at its option, an application for reasonableness review of its hazardous waste management expenses in any year when the amount of rate increase to be requested exceeds \$1 million in expenses or when the addition to the rate base exceeds \$5 million.

In addition to the petition to modify D.88-09-020, PG&E also requested an extension of time to comply with Ordering Paragraph 5 of D.88-09-020 until the Commission acts on its petition to modify D.88-09-020. The Executive Director granted PG&E the requested extension on April 24, 1990.

PG&E contends that Southern California Gas Company (SoCal) and Southern California Edison Company (Edison) each received similar relief from the requirement to file an annual reasonableness review application in D.89-09-032 and D.89-09-019, respectively. PG&E believes that neither its ratepayers nor its stockholders will be disadvantaged by granting of the requested relief.

#### DRA's Comments

The Division of Ratepayer Advocates (DRA) reviewed PG&E's petition and filed its comments on April 6, 1990. DRA believes that PG&E's request to file an application for reasonableness review at least once every three years is consistent with the rules applied to SoCal and Edison and supports PG&E's request that it be subject to the same filing requirements as SoCal and Edison.

However, DRA opposes three proposals in PG&E's petition including the request to consolidate the reasonableness review with PG&E's general rate case.

First, DRA is concerned that PG&E seeks the flexibility of an option to file an application in any year in which the amount of rate increase exceeds \$1 million or the addition to rate base exceeds \$5 million i.e., the trigger amount is reached. DRA contends that PG&E's proposal differs from the treatment accorded both SoCal and Edison. DRA points out that both SoCal and Edison are not allowed this flexibility and must file their applications for reasonableness review if the trigger amounts in their respective memorandum accounts are reached. DRA insists that PG&E should be subject to the same requirement of filing an application in any year the trigger amount in its memorandum account is reached.

Second, DRA contends that PG&E's proposed trigger amount is different from the trigger amounts applicable to SoCal and Edison. SoCal and Edison must file an application for reasonableness review whenever the expenses booked in their memorandum accounts exceed \$5 million and \$3 million respectively. DRA recommends that PG&E should be put on a comparable footings by requiring it to file an application whenever the revenue requirement associated with rate base additions and/or expense items exceeds \$5 million. Under DRA's proposal, \$5 million in expenses would trigger a filing as would rate base additions which had an annual revenue requirement exceeding \$5 million.

Finally, DRA also objects to PG&E's request that its triennial filings be included as a part of PG&E's general rate case application. DRA maintains that the review of expenses associated with hazardous waste cleanup activities is a complex and time consuming process. DRA opines that including such review in a general rate case application would unnecessarily complicate the proceeding. Accordingly, DRA insists that PG&E be required to file

a separate application for reasonableness review of its hazardous waste management expenses.

Based on the above, DRA recommends that the order approving PG&E's petition should require PG&E to:

- o File a separate application for a reasonableness review of its hazardous waste management activities at least once every three years.
- o File an application for a reasonableness review in any year in which the revenue requirement associated with rate base additions and/or expense items exceeds \$5 million; and to file such application within 60 days of the filing of its annual report on hazardous waste management activities.
- o Indicate in its annual report on hazardous waste management activities whether it will file an application for a reasonableness review that year.

#### Discussion

We agree with PG&E that the procedure for recovery of its hazardous waste management expenses should be modified to make it consistent with the procedures adopted for other energy utilities. However, we believe that DRA correctly points out that PG&E's proposed procedure is inconsistent with the procedures adopted for SoCal and Edison.

Specifically, we are concerned about PG&E's proposal to consolidate the filing for reasonableness review with its general rate case application. The Commission made its concern regarding conducting a reasonable review of hazardous waste cleanup expenses in a general rate case proceeding in D.87-07-059 by stating:

". . . However, based on experience in this proceeding we now realize that review of hazardous waste cleanup programs and the related expenses is a complex and time consuming process. A review of the reasonableness of hazardous waste cleanup efforts in an ECAC proceeding would

unnecessarily complicate and delay the proceeding. Therefore, we believe that SoCal should file a separate application requesting rate recovery of its hazardous waste cleanup program expenses. Such applications shall not be filed more than once a year..." (D.88-07-059, p. 37.)

We will require PG&E to file a separate application for a reasonable review of its hazardous waste management expenses.

Next, we will consider DRA's proposal to require PG&E to file an application for reasonableness review in any year in which the revenue requirement for hazardous waste management activities through additions to rate base and/or expense items reaches \$5 million. This proposal will reduce the number of proceeding that the Commission will have to process and will allow a more efficient use of the Commission's resources. The proposal will also make PG&E's procedure similar to that of SoCal.

Finally, we believe that extended delays between the time that expenses are booked in the memorandum account and the time that a reasonableness review of such expenses is conducted would make the review very difficult to conduct. Therefore, we will require PG&E to file an application for reasonableness review at least once every three years.

Accordingly, for reasons stated above, we will modify Ordering Paragraph 5 of D.88-09-020 to read as follows:

"If the amount of expenses booked into the memorandum account exceeds \$5 million or if the revenue requirement associated with rate base additions for hazardous waste management projects exceeds \$5 million on the 31st of December of the year for which the annual report is being filed, PG&E shall file within 60 days of filing its annual report on hazardous waste management activities, 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 1992."

and add Ordering Paragraphs 5.a. and 5.b. to read as follows:

- 5.a. PG&E shall file an application for a reasonableness review of its expenditures for hazardous waste management activities at least once every three years.
- 5.b. PG&E shall indicate, in its annual report on hazardous waste management activities, whether it will file an application for a reasonableness review that year.

Findings of Fact

1. D.88-09-020, among other things, modified the procedure for recovery of PG&E's hazardous waste management expenses.
2. Ordering Paragraph 5 of D.88-09-020 requires PG&E to file, no later than 60 days after the filing of its annual report on hazardous waste management activities due March 1 each year, an application for reasonableness review of expenditures on projects that have been completed, and which PG&E wishes to include in rates.
3. On March 9, 1990, PG&E filed a petition to modify D.88-09-020 requesting:
  - a. PG&E's reasonableness review filing which was due on May 1, 1989 be incorporated with its 1993 general rate case application, to be filed in December 1991.
  - b. PG&E's subsequent applications for reasonableness review of hazardous waste management expenses be included as part of its general rate case applications which are filed once every three years, unless the requested rate increase for hazardous waste management projects exceeds \$1 million in expenses or the capital expenditures for hazardous waste management projects to be added to PG&E's rate base exceed \$5 million. In other words, PG&E requests the ability to file, at its option, an application for reasonableness review of its hazardous waste management expenses in any year when the amount of

rate increase to be requested exceeds \$1 million in expenses or when the addition to the rate base exceeds \$5 million.

4. DRA reviewed PG&E's petition to modify D.88-09-020 and filed its comments on April 6, 1990.

5. DRA believes that modifications proposed by PG&E are inconsistent with treatment accorded other energy utilities.

6. DRA does not oppose the approval of PG&E's petition if the order approving the petition requires PG&E to:

- o file a separate application for a reasonableness review of its hazardous waste management activities at least once every three years.
- o file an application for a reasonableness review of its hazardous waste management expenses in any year in which the revenue requirement associated with rate base additions and/or expense items exceeds \$5 million; and to file such application within 60 days of the filing of its annual report on hazardous waste management activities.
- o indicate in its annual report on hazardous waste management activities whether it will file an application for a reasonableness review that year.

7. Requiring PG&E to file an application for a reasonableness review of the expenses booked in the memorandum account only when they exceed \$5 million or if the revenue requirement associated with the rate base additions for hazardous waste cleanup activities exceed \$5 million will result in efficient use of the Commission's resources.

8. 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.

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

10. DRA's proposal to require PG&E to notify the Commission regarding the filing of its application for reasonableness review will assist in planning the Commission's workload.

11. No other party has filed comments on PG&E's petition.

12. The modifications requested by PG&E and recommendations made by DRA could best be addressed by modifying Ordering Paragraph 5 of D.88-09-020 as follows:

"If the amount of expenses booked into the memorandum account exceeds \$5 million or if the revenue requirement associated with rate base additions for hazardous waste management projects exceeds \$5 million on the 31st of December of the year for which the annual report is being filed, PG&E shall file within 60 days of filing its annual report on hazardous waste management activities 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 1992."

and add Ordering Paragraph 5.a. and 5.b. to read as follows:

5.a. PG&E shall file an application for a reasonableness review of its expenditures for hazardous waste management activities at least once every three years.

5.b. PG&E shall indicate, in its annual report on hazardous waste management activities, whether it will file an application for a reasonableness review that year.

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

Conclusion of Law

D.88-09-020 should be modified as set forth below.



IT IS ORDERED that:

1. Ordering Paragraph 5 of Decision (D.) 88-09-020 is modified to read as follows:

"If the amount of expenses booked into the memorandum account exceeds \$5 million or if the revenue requirement associated with rate base additions for hazardous management projects exceeds \$5 million on the 31st of December of the year for which the annual report is being filed, PG&E shall file within 60 days of filing its annual report on hazardous waste management activities, 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 1992."

2. Ordering Paragraphs 5.a. and 5.b. are added to D.88-09-020 to read as follows:

5.a. PG&E shall file an application for a reasonableness review of its expenditures for hazardous waste management activities at least once every three years.

5.b. PG&E shall indicate, in its annual report on hazardous waste management activities, whether it will file an application for a reasonableness review that year.

3. Since all issues currently pending in this proceeding have now been resolved, this proceeding is closed.

This order becomes effective 30 days from today.

Dated April 10, 1991, at San Francisco, California.

PATRICIA M. ECKERT  
President

G. MITCHELL WILK  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

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

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Complete Ordering Paragraphs as Amended by  
D.91-04-015

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to book in the memorandum account established by D.88-03-017 the expenses related to the following hazardous waste management projects:

Project 2 - Oil Sludge Sump Closures at  
5 Power Plant up to \$1,300,000.  
No expenses for work performed  
at the Oakland plant shall be  
booked into the memorandum  
account.

Project 3 - Morro Bay Waste Handling  
Equipment Upgrade up to \$9,000.

Project 5 - Modify Oily Water Separator at  
Contra Costa up to \$821,000.

Project 6 - Circulating Water System  
Improvements up to \$4,360,000.

Project 7 - Pollution Abatement Equipment  
at Contra Costa  
up to \$1,440,500.

Project 11- Modify Oily Water Separator at  
Moss Landing up to \$135,000.

Project 14- Hazardous Material Storage  
Bldg. at Pittsburg  
up to \$66,000.

Project 15- Modify Steam Cleaning Pit at  
Pittsburg up to \$95,000.

Project 22- Equipment Upgrade at

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Compressor Stations up to  
\$55,000.

2. Before incurring any expenditures for hazardous waste management projects, PG&E shall file an advice letter for approval of funding. The advice letter shall contain the following information:

- a. For projects that PG&E 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 PG&E 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 Manufactured Gas operation, hydrogeology and other physical characteristics of site).
  - o A statement explaining why PG&E 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 Record of all communications with third parties regarding site contamination.

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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 PG&E and to anyone who requested service of PG&E'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. PG&E 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.

5. If the amount of expenses booked into the memorandum account exceeds \$5 million or if the revenue requirement associated with rate base additions for hazardous waste management projects exceeds \$5 million on the 31st of December of the year for which the annual report is being filed, PG&E shall file within 60 days of filing its annual report on hazardous waste management activities, 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 1992.

5.a. PG&E shall file an application for a reasonableness review of its expenditures for hazardous waste management activities at least once every three years.

5.b. PG&E shall indicate, in its annual report on hazardous waste management activities, whether it will file an application for a reasonableness review that year.

6. This proceeding is closed.

(END OF APPENDIX A)