

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE
Environmental Branch

RESOLUTION E-3184
March 14, 1990

R E S O L U T I O N

RESOLUTION E-3184, REQUEST OF SOUTHERN CALIFORNIA EDISON COMPANY (EDISON) TO RECORD IN A MEMORANDUM ACCOUNT EXPENSES ASSOCIATED WITH THE INVESTIGATION AND CLEANUP OF THE VENICE MANUFACTURED GAS PLANT SITE; BY ADVICE LETTER NO. 859-E, FILED JANUARY 18, 1990

SUMMARY

1. Edison filed Advice Letter (AL) 859-E on January 18, 1990 requesting authority to book up to \$1,000,000 into a hazardous waste memorandum account for expenses associated with the cleanup and excavation of the former Venice Manufactured Gas Plant Site.
2. This Resolution approves the authority of Edison to book up to \$1,000,000 into a memorandum account and establishes certain conditions for booking to this account.

BACKGROUND

1. Advice Letter 859-E was filed by Edison under the procedures adopted by the Commission in Decision (D.) 89-01-039. The decision authorizes Edison to seek approval through advice letter, to book expenses associated with hazardous waste into a memorandum account and to file on a project-by-project basis. It also requires the filings to contain certain comprehensive, specific information about each site. Lastly, the decision specifies the costs must be authorized before they are booked into the account and requires that expenditures incurred undergo an annual reasonableness review.
2. The Venice Site is a former manufactured gas plant site located in Venice, California. Edison owned and operated the site from 1903 to 1916, when it was sold to Southern California Gas Company (SoCal). In 1977, the site was sold to the Richlar Partnership and divided into three parcels; parcel A, parcel B, and parcel C. Presently, the site is owned by the Richlar Partnership, Chiat/Day Advertising, and Perloff/Webster Company.
3. A malodorous layer of soil on parcel A was discovered in May 1986 during excavation for the construction of the the Chiat/Day headquarters. The California Department of Health Services (DHS), Chiat/Day, and Edison conducted a contamination investigation, a

health risk assessment, and a cleanup of the property. The cost of the endeavor was approximately \$1.5 million.

4. On July 8, 1987, DHS issued a Remedial Action Order (RAO), Docket No. DHS 87/88-001, naming Edison and SoCal as Potential Responsible Parties and directing both to perform an investigation and remediation of the potential contamination for the entire site.

5. The Commission adopted D. 88-08-022 in August, 1988 allowing Edison to book \$417,000 into a memorandum account in order to prepare a Remedial Investigation, Feasibility Study, Risk Assessment, Community Relations Plan, and Remedial Action Plan. This process has not been completed.

6. On December 20, 1988, Edison was served with a complaint by Chiat/Day to recover all costs of cleanup, damages, and punitive damages. A settlement was reached on May 24, 1989 and Edison paid \$1,000,000 to Chiat/Day on October 19, 1989. This \$1,000,000 is not the subject of this advice letter.

7. In addition to the \$1,000,000 for punitive damages, Edison is required to pay Chiat/Day for incremental excavation and disposal costs up to \$1,000,000 should the total of such costs exceed \$2,000,000. The initial \$2,000,000 in excavation costs will be borne by SoCal and Chiat/Day. The potential \$1,000,000 is the subject of this Advice Letter.

COMMENTS

1. The Division of Ratepayer Advocates (DRA), in comments filed February 14, 1990, recommended the acceptance of Advice Letter 859-E.

2. In its comment's, DRA stated while it does not protest the advice letter, it is concerned that the settlement between Edison and Chiat/Day was reached before the advice letter was filed which does not meet the criteria set by D.89-01-039.

DISCUSSION

1. The authorization for an amount not to exceed \$1,000,000 requested by this advice letter will only be required if the excavation and disposal costs of Chiat/Day's property exceed \$2,000,000.

2. DRA comments that it does reserve the right to review these expenses in the reasonableness proceeding to determine that 1) the expenses were actually spent on a particular activity required by the DHS directive, 2) SoCal or someone else is not also paying for that activity, 3) the expenses were not incurred before Commission approval of the advice letter.

3. The Commission Advisory and Compliance Division (CACD) has reviewed the filing and DRA's recommendation.

FINDINGS

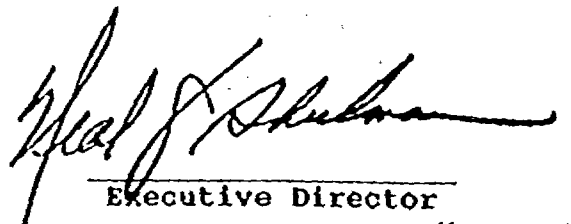
1. Edison should record in a memorandum account up to \$1,000,000 for costs associated with the cleanup of the former Venice Manufactured Gas Plant Site and consistent with project documentation set forth in AL 859-E.
2. Authority to implement this account should be effective on the date of this order. No expenses paid or incurred prior to the date of this order shall be included in the account.
3. Expenses recorded in the account should be subject to a subsequent annual reasonableness review and should not be placed into rates until ordered by the Commission after the review.
4. Edison should be authorized to accrue interest at the three-month commercial paper rate on amount booked into the memorandum account.

IT IS ORDERED that:

1. Southern California Edison Company is authorized to implement a memorandum account not to exceed \$1,000,000 for costs associated with the cleanup at the former Venice Manufactured Gas Plant Site.
2. Expenses recorded in the account shall be consistent with documents submitted in Advice Letter 859-E filed by Edison on January 18, 1990, and supporting documents, included herein by reference.
3. These costs shall be subject to a reasonableness review as ordered in Decision 89-01-039, and shall not be placed into rates until ordered by the Commission after the review.
4. Edison shall be authorized to accrue interest at the three-month commercial paper rate on amounts booked into the memorandum account.
5. This Resolution is effective on today.

I certify that this Resolution E-3184 was adopted by the Public Utilities Commission at its regular meeting on March 14, 1990. The following Commissioners approved it.

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


Executive Director