

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Environmental Branch

RESOLUTION G-2894
November 3, 1989

RESOLUTION

RESOLUTION G-2894, ORDER AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) TO RECORD UP TO \$114,000 IN A MEMORANDUM ACCOUNT FOR EXPENSES ASSOCIATED WITH THE RISK ASSESSMENT STUDY FOR THE OLYMPIC BASE TOWNE GAS SITE; BY ADVICE LETTER NO. 1899, FILED AUGUST 30, 1989.

SUMMARY

1. SoCal filed Advice Letter (AL) 1899 on August 30, 1989 requesting authority to book up to \$114,000 for expenses associated with the risk assessment study of the Olympic Base Towne Gas site (Site).
2. This Resolution approves the request.

BACKGROUND

1. Advice Letter 1899 has been filed by SoCal under the procedures adopted by the Commission in Decision (D.) 88-07-059 to expedite the process of authorizing the booking of hazardous waste expenses. D. 88-07-059, dated July 22, 1988, ordered advice letters to be filed on a project-by-project basis and to contain comprehensive and specific information about each site. The Decision also required that expenditures incurred undergo an annual reasonableness review.
2. A Manufactured Gas Plant was built at the Site in 1907 by the City Gas Company of Los Angeles. In 1910, SoCal took over operation of the plant. The plant was operated until 1927 and then was placed on standby. SoCal completely discontinued the plant's use in 1952, at which time the company began 100% natural gas service.
3. Since the plant was dismantled in 1952, the property has been fenced and inaccessible to the public. Currently the majority of the Site is an undeveloped dirt lot enclosed by security fencing with appropriate warning signs. The northern

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portion is partially covered with asphalt and is leased to the City of Los Angeles road Department for its asphalt plant operations. A portion of the remainder of the Site is covered by SoCal's buildings and an asphalt roadway.

4. The Olympic Base site has previously been reviewed and approved for funding by the CPUC in the proceedings leading to D.88-07-059. The CPUC authorized SoCal to book up to \$185,000 in investigation costs for the Site. At the time of the present Advice Letter filing, SoCal reported that it had booked \$152,000 into a hazardous waste memorandum account and that investigation activities at the Site were almost complete.

5. SoCal signed a formal Consent Order with the Department of Health Services (DHS) in December 1986 which specified the schedule for investigation and remediation work to be performed at the Site (Docket no. HSA 86/87-014-RA). As required by the Order, SoCal prepared a Feasibility Study Workplan (dated 11/17/87) and prepared a Feasibility Report (dated 5/6/88).

6. DHS has requested that SoCal conduct a full (quantitative) risk assessment study to support SoCal's Feasibility Study and it is this new study that is the subject of SoCal's Advice Letter No. 1899. SoCal obtained a consultant to perform this risk assessment and then met with DHS to approve the methodology for the study. SoCal's budget for the analysis consists of \$67,350 for their consultant and \$46,500 to cover administrative and oversight costs for DHS.

7. SoCal states that any funds remaining from the initial authorization of \$185,000 (in D.88-07-059) will reduce the amount allowed for booking in this current filing. SoCal also states that all investigatory expenses will be booked in the General Rate Case (GRC) after December 31, 1989 and thus expenses incurred after December 31, 1989 may not be booked under this Advice Letter.

COMMENTS

1. The Division of Ratepayer Advocates (DRA), in comments filed September 20, 1989, recommended the acceptance of Advice Letter 1899, with several conditions that previously have been applied to memorandum accounts for hazardous waste projects. These conditions include: (1) the prohibition of booking costs or expenses paid or incurred prior to the date of the order; (2) the requirement that all expenses are to be consistent with documents filed as part of the advice letter; (3) an authorization that SoCal should accrue interest on the amounts booked in the memorandum account; and (4) the requirement that costs recorded in the account be subject to a subsequent reasonableness review and should not be placed into rates until ordered by the Commission.

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2. SoCal states that all investigatory expenses will be booked in the GRC after December 31, 1989. SoCal's request reflects that SoCal and DRA agreed during the course of hearings on the 1990 GRC that all remedial investigation expenses associated with hazardous waste cleanups should be handled in base rates after December 31, 1989. Because the Commission has not yet issued its decision for SoCal's 1990 GRC, DRA recommends that all of SoCal's investigatory expenses booked after December 31, 1989 should be booked in the manner ordered in the most applicable Commission decision.

3. DRA comments that DHS requested that SoCal conduct a full risk assessment to comply with a DHS procedure known as the "California Site Mitigation Decision Tree, May 1986." DRA states that the new in-depth risk assessment is not expected to produce any new information that SoCal has not already provided to DHS. According to DRA, SoCal protested the request from DHS to prepare this additional risk assessment. In its comments, DRA commends SoCal for their attempt to minimize the cost of hazardous waste site studies. DRA also states that it will work with DHS to minimize the cost of future studies requested by DHS.

4. DRA comments that any funds left over from the \$185,000 authorized in the earlier case (D.88-07-059) will reduce the amount allowed for booking in the current filing.

5. SoCal responded to DRA's comments by letter on September 29, 1989. SoCal stated that DRA's language regarding funds remaining from the earlier authorization may be misleading. SoCal recommends that the condition read: "To the extent funds remaining from the prior authorization in D.88-07-059 are spent on activities specified in this Advice Letter, the amount booked under this filing shall be reduced."

DISCUSSION

1. The Commission Advisory and Compliance Division (CACD) has reviewed SoCal's Advice Letter filing and DRA's recommendations. CACD has determined that separate hearings on this filing are not necessary.

2. SoCal's AL 1899 and supporting documents meet the information requirements set out in D.88-07-059, and include an order to undertake work, a work plan, and budget. CACD believes the risk assessment study for the Olympic Base site is appropriate for memorandum account treatment.

3. CACD shares the concern expressed by DRA that the quantitative risk assessment of the Olympic Base site is not likely to generate information that has not already been provided to DHS. Along with DRA, CACD plans to meet with DHS in hopes of developing a more efficient method of preparing risk assessment information that will meet the needs of DHS and will reduce the costs of investigating manufactured gas plant sites.

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4. CACD accepts SoCal's language proposed in their rebuttal comments to DRA's comments.

FINDINGS

1. SoCal should record in a memorandum account up to \$114,000 for their expenses associated with remedial investigation work and DHS oversight expenses at the site.
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, as required in D.88-09-020, and should not be placed into rates until ordered by the Commission after the review.
4. SoCal should be authorized to accrue interest at the three-month commercial paper rate on amounts booked into the memorandum account.
5. To the extent funds remaining from the prior authorization (in D.88-07-059) are spent on activities specified in this Advice Letter, the amount booked under this filing shall be reduced.
6. Expenses incurred under this Advice Letter, after December 31, 1989, will not be booked under this authorization but instead should be booked according to the pending decision in SoCal's 1990 General Rate Case.

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IT IS ORDERED THAT:

1. Southern California Gas Company is authorized to implement a memorandum account not to exceed \$114,000 for costs associated with the risk assessment of the Olympic Base site.
2. Expenses recorded in the account shall be consistent with documents submitted in Advice Letter 1899 filed by SoCal on August 30, 1989, and supporting documents, included herein by reference.
3. These costs shall be subject to a reasonableness review, as ordered in Decision 88-09-020, and shall not be placed into rates until ordered by the Commission after the review.
4. SoCal shall be authorized to accrue interest at the three-month commercial paper rate on amounts booked into the memorandum account.
5. SoCal shall provide the Commission Advisory and Compliance Division with a copy of the final risk assessment prepared for DHS on the Site.
6. This Resolution is effective on November 3, 1989.

I certify that this Resolution G-2894 was adopted by the Public Utilities Commission at its regular meeting on November 3, 1989. The following Commissioners approved it.

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


WESLEY FRANKLIN
Acting Executive Director