

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Environmental Branch

RESOLUTION G-2913  
May 22, 1990

R E S O L U T I O N

RESOLUTION G-2913, ORDER AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) TO RECORD UP TO \$111,900 IN A MEMORANDUM ACCOUNT FOR EXPENSES ASSOCIATED WITH THE EXCAVATION AND DISPOSAL OF CONTAMINATED SOIL AND DEBRIS IN AND AROUND AN ABANDONED UNDERGROUND VAULT AT THE VISALIA TOWNE GAS SITE; BY ADVICE LETTER NO. 1939, FILED MARCH 2, 1990.

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SUMMARY

1. The Southern California Gas Company (SoCal) filed Advice Letter (AL) 1939 on March 2, 1990 requesting authority to book up to \$111,900 for expenses associated with the clean up of an abandoned underground vault at the Visalia (Tipton Street) Towne Gas site.
2. This Resolution approves the request.

BACKGROUND

1. Advice Letter 1939 was 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. The Tipton Street site in Visalia is a former manufactured gas plant (MGP) site. SoCal purchased the site in 1927, and operated it as a primary gas source until about 1930. A portion of the site, now called Portion B, was sold to private parties in 1969. Portion B is now owned by KB Management Company (KB), which leases the property to Pacific Bell. SoCal still operates the remainder of the property as a distribution facility.

3. Pacific Bell initiated an investigation at the site in 1987 because of concerns about water quality. After discovering soil contamination at the site, Pacific Bell retained Versar, Inc. to conduct additional investigation in 1987 and 1988 to more fully evaluate the contamination. Versar found that the soil was contaminated with a number of hazardous substances, typical of those associated with manufactured gas plant operation. An abandoned underground vault was also discovered.

4. Pacific Bell claimed that it was not responsible for the soil contamination and that it would not take any additional actions. KB, the owner of the site, contacted SoCal to request that SoCal take responsibility for the contamination. In September 1989, SoCal met the the Tulare County Department of Health Service (DHS) and the Central Valley Regional Water Quality Control Board (CVRWQB). At that meeting SoCal agreed to take responsibility for bringing the vault into compliance.

5. In January 1990, SoCal submitted a "Work Plan for the Vault Closure and Removal at 300 North Tipton Street, Visalia, California." SoCal is currently awaiting agency approval of the work plan before proceeding with removal of the vault and remediation of the soil contamination in and around the vault.

6. SoCal provided supporting documents with Advice Letter No. 1939 including correspondence between the various owners, operators, and agencies involved with the site. SoCal also included with the Advice Letter a schedule for the remediation, a detailed work plan, and a budget for the proposed work.

#### COMMENTS

1. The Division of Ratepayer Advocates (DRA), in comments filed March 29, 1990, recommended the acceptance of Advice Letter 1939, 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.

2. DRA notes in its comments that Versar, Inc. could not definitely determine who installed or operated the underground vault at the site. SoCal has confirmed, however, that the historical layout of the plant and the type of construction of the vault support the premise that the vault contained materials used in gas manufacturing operations. In addition, some of the soil contamination surrounding the vault has been determined to

be typical of contaminants from MGP sites. As a result of this information, SoCal has agreed to take responsibility for the remediation work related to the vault. SoCal has not accepted responsibility for any of the soil contamination that may be discovered elsewhere at the site.

3. DRA raised an issue concerning the proceeds of the gain on sale as it relates to the Tipton site. DRA comments that SoCal's stockholders benefited from the gain on the sale of Portion B of the site, but that ratepayers may now be subject to paying for expenses associated with formerly owned utility property. DRA states that the Commission is currently considering the gain-on-sale issue and thus DRA reserves consideration of the appropriateness of ratepayer funding of these expenses for the reasonableness review that DRA will conduct.

4. After reviewing the material submitted with the Advice Letter, DRA concludes that SoCal has provided the necessary information required for authorization of a memorandum account and therefore recommends SoCal be authorized to record expenses associated with the work as described in the Advice Letter.

#### DISCUSSION

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

2. SoCal met the information requirements set out in D.88-07-059. Included in the filing was correspondence that indicate the Tulare County Department of Health Services and the Central Valley Regional Water Quality Control Board (CVRWQCB) expect SoCal to undertake responsibility for remediation work related to the underground vault. SoCal also included a work plan and budget for the proposed remedial work.

3. SoCal stated that the remedial costs are for the excavation and disposal of contaminated soil and debris in and around the abandoned underground vault. SoCal has not formally accepted responsibility for any other potential contamination at the site.

4. CACD recognizes that SoCal's expenses, once booked, will be subject to a reasonableness review. DRA has indicated that it may examine the difference between the stockholders' gain from the proceeds of the sale of property and the ratepayers' loss resulting from expenses associated with property formerly owned by the utility.

FINDINGS

1. SoCal should record in a memorandum account up to \$111,900 for their expenses associated with excavation and disposal related to the underground vault 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 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.

May 22, 1990

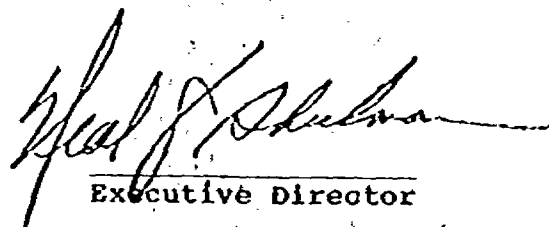
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IT IS ORDERED THAT:

1. Southern California Gas Company is authorized to implement a memorandum account not to exceed \$111,900 for costs associated with the excavation and disposal of contaminated soil and debris present in and around the underground vault at the Visalia (Tipton Street) Towne Gas site.
2. Expenses recorded in the account shall be consistent with documents submitted in Advice Letter 1939 filed by SoCal on March 2, 1990, 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. This Resolution is effective on May 22, 1990.

I certify that this Resolution G-2913 was adopted by the Public Utilities Commission at its regular meeting on May 22, 1990. The following Commissioners approved it.

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. CHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
Executive Director

Commissioner Frederick R. Duda,  
being necessarily absent, did  
not participate.