

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
ENERGY BRANCHRESOLUTION G-3006
July 22, 1992

R E S O L U T I O N

RESOLUTION G-3006. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS APPROVAL TO RECORD UP TO \$141,756 IN AN INTEREST BEARING MEMORANDUM ACCOUNT FOR EXPENSES ASSOCIATED WITH THE REMEDIATION OF SOIL FROM A CONTAMINATED FIREFIGHTING TRAINING PIT AT SOCAL'S NEWBERRY SPRINGS COMPRESSOR STATION.

BY ADVICE LETTER 2119-G, FILED ON JUNE 3, 1992.

SUMMARY

1. Southern California Gas Company (SoCal) requests approval to book up to \$141,756 in an interest bearing memorandum account for expenses associated with the cleanup of a contaminated firefighting training pit at its Newberry Springs Compressor Station pursuant to D.88-07-059 as amended by D.90-01-016.
2. This resolution allows SoCal to record up to \$75,530 in an interest-bearing memorandum account and up to \$64,576 in a non-interest bearing memorandum account as authorized in D.90-01-016 since the remediation project involves polychlorinated biphenyl (PCB) expenses.
3. This resolution reduces the total amount to be recorded in the two memorandum accounts to \$140,106 which excludes \$1650 in SoCal's labor expenses for project oversight.

BACKGROUND

1. In Decision 88-07-059, dated July 22, 1988, the Commission established procedures for SoCal advice letter filings related to the funding of hazardous waste cleanup projects. The decision ordered advice letters to be filed on a project-by-project basis and to include a detailed workplan, schedule, and budget. After obtaining Commission authorization, SoCal can record cleanup expenses in an interest bearing memorandum account. In addition, SoCal is required to file an annual application for a reasonableness review of these expenses.

2. In Decision 90-01-016, dated January 9, 1990, the Commission directed SoCal to include PCB cleanup costs in its hazardous waste review proceedings and to charge all PCB expenses to non-interest bearing memorandum accounts until arbitration regarding PCB liability is concluded. Arbitration for PCB expenses has been completed for the 1981 through 1988 period only.
3. In accordance with D.88-07-059 and D.90-01-016, SoCal filed Advice Letter 2119-G requesting a memorandum account for remediation expenses at the Newberry Springs Compressor Station (Newberry), located in San Bernardino County approximately three miles south of Interstate 40 and 20 miles east of Barstow. From 1967 to 1988, SoCal conducted firefighting training in an unlined earthen pit at the Newberry site as part of its safety training for compressor station personnel. For this training, several gallons of natural gas condensate and compressor engine oil were poured into the pit, set on fire, and then extinguished.
4. In 1981, SoCal became aware of the possible presence of polychlorinated biphenyls (PCB's) in the natural gas condensate used for firefighting training and discontinued use of natural gas condensate at this time. After use of the pit was completely discontinued in 1988, SoCal attempted to remove any contaminated soil associated with the pit. Approximately thirty five cubic yards of soil were excavated from the pit and stockpiled on site. However, soil samples indicated that levels of total petroleum hydrocarbons (TPH) and PCB's exceeded the levels established by the California Department of Toxic Substances Control (DTSC).
5. Based on a Remedial Action Plan (RAP) submitted by SoCal to the San Bernardino County Department of Environmental Health Services (San Bernardino) in April 1991, San Bernardino and SoCal agreed that removal of the contaminated soil and disposal off-site was the best solution.
6. The RAP estimated excavation and off-site landfilling costs of \$140,106 for the Newberry site. SoCal included another \$1,650 for project oversight in the budget submitted with the advice letter to increase the request for memorandum account expenses to \$141,756.
7. In September 1991, SoCal removed the previously excavated firepit contaminants that had been stockpiled at the Newberry site since the first attempts at remediation. These contaminants were transported to the Chemical Waste Management facility in Kettleman Hills for disposal.

NOTICE

1. SoCal mailed copies of this advice letter to other utilities, governmental agencies, and the interested parties who requested notification. Notice of this advice letter filing was published in the Commission calendar on June 8, 1992.

PROTESTS

1. The Division of Ratepayer Advocates (DRA) commented on Advice Letter No. 2119-G on June 10, 1992. The DRA expressed concerns with the following:

- a. SoCal includes \$1,650 in the workplan budget for its own oversight of the remediation project. DRA contends that SoCal has already received rate base funding for labor associated with hazardous waste management in its 1990 general rate case (D.90-01-016).
- b. SoCal's workplan budget also includes expenses for disposal of 35 cubic yards of soil that was already removed by SoCal in September of 1991.
- c. The RAP contains two separate cost estimates, dated April 1991 and May 1991 respectively, that are different. However, there is no explanation as to why the estimates differ. Also, because SoCal is currently soliciting alternative bids for the remediation project, the actual cost may be lower than the \$141,756 currently requested.

RESPONSE TO PROTEST

1. SoCal responded to DRA's concerns on June 18, 1992 as follows:

- a. SoCal disagrees that project oversight labor is included in the 1990 Test Year general rate case. SoCal contends that the general rate case provides funding for investigation but not for remediation of cleanup sites.
- b. SoCal confirms that some contaminated soil had already been removed from the Newberry site. However, SoCal believes that the RAP's estimate of the volume of soil to be excavated and disposed of is too low based on an alternate estimate prepared by Environmental Transloading Services (ETS). Therefore, SoCal argues that the proposed cleanup budget should not be reduced.
- c. SoCal explains that the May 1991 RAP cost estimate was lower than the April 1991 estimate because shoring design and construction was not included in the May estimate. SoCal requested authorization for the higher cost estimate for remediation with shoring. An attachment from Dames & Moore, the author of both estimates, explains that excavation with shoring minimizes cave-ins and the volume of material to be excavated and is therefore more cost-effective than remediation without shoring.

DISCUSSION

1. Based on the site characterization study, TPH and PCB levels at Newberry exceed levels prescribed by DTSC in Title 22 of the California Code of Regulation.
2. As owner and operator of the Newberry site, SoCal is required to cleanup hazardous materials on the property under California Health and Safety Code, Section 25323.5. Furthermore, SoCal states in its advice letter that San Bernardino County directed SoCal to complete remediation activities at the site by August 1991.
3. SoCal asked San Bernardino to grant two extensions of the August 1991 deadline because SoCal had to obtain Commission approval before work could begin. SoCal did not file an advice letter for approval of Newberry remediation until June 1992. SoCal stated to the Commission that the extensions were necessary to allow SoCal staff to work on other sites requiring immediate attention.
4. SoCal's Advice Letter 2119-G meets the requirements of D.88-07-059 because it includes a detailed work plan, schedule, and budget.
5. SoCal is correct that D.90-01-016 provides funding for investigation of three specific hazardous waste sites. However, SoCal also received funding of \$523,000 for Account 880 (hazardous waste management expenses) in its 1990 general rate case. This allocation covers SoCal management expenses for hazardous waste cleanup activities. Since SoCal has already received funding for oversight of hazardous waste remediation, the \$1,650 should not be recorded in the memorandum account.
6. SoCal stated in a letter dated June 26, 1992 that ETS was selected to perform the cleanup at the Newberry site. The ETS proposal contains two estimates for cleanup of \$158,257 and \$153,793 respectively. SoCal stated that it will not refile Advice Letter 2119-G to increase the amount requested in the original filing. Therefore, SoCal should only be allowed to record expenses up to \$140,106 for the remediation activities described in the ETS proposal. SoCal should assume all costs for remediation at the Newberry site which exceed this amount and for work not described in the ETS proposal.
7. Decision 90-01-016 restricts SoCal to recording PCB expenses in a non-interest bearing account until arbitration for PCB liability is completed. When the Commission Advisory and Compliance Division pointed this out to SoCal, SoCal suggested splitting remediation expenses into an interest bearing and non-interest bearing account based on the estimated percentage of PCB contamination in the soil. However, the chosen contractor, ETS, delineated the cost of transporting and disposing of PCB contaminated material from the cost of transporting and disposing of non-PCB contaminated material. Therefore, these non-PCB costs should be allocated to the interest bearing

account and the remaining costs should be split evenly between the two accounts since the remaining soil is contaminated with both TPH and PCB's. Therefore, the \$140,106 in remediation expenses should be split between the two memorandum accounts as follows:

<u>Interest Bearing Account</u>	
non-PCB transportation	\$ 4,250.00
non-PCB disposal	6,704.50
50% of remaining costs up to \$140,106 ceiling	<u>64,575.75</u>
TOTAL	\$75,530.25

<u>Non-Interest Bearing Account</u>	
50% of costs less non-PCB costs	\$64,575.75

8. The RAP cost estimate of \$140,106 included the removal of 35 cubic yards of soil that was removed by SoCal in September 1991. The estimate from ETS, although higher, does not include this 35 cubic yards of soil and notes that it was previously removed. SoCal should not include the cost of removal of this 35 cubic yards of soil in the memorandum account since the work was completed prior to approval of the advice letter.

9. Based on the Dames & Moore April 1991 cost estimates, SoCal should not record more than the following total amounts in the memorandum account for each phase of the remediation:

Excavation, stockpiling, truck loading	\$ 41,340
Transportation	20,988
Disposal	58,671
Truck Decontamination, Waste profiling	8,586
Backfill and compaction	<u>10,521</u>
Total	\$140,106

10. In Decision 88-07-059, the Commission directed SoCal to file an annual application for a reasonableness review of hazardous waste memorandum account expenditures before these expenditures could be included in rates.

FINDINGS

1. The Newberry site is contaminated with TPH and PCB's exceeding the levels allowed by the DTSC in the California Code of Regulations, Title 22. Based on the Health and Safety Code, SoCal is required to clean up the Newberry site.
2. SoCal has complied with the procedures prescribed by D.88-07-059 and has included all applicable materials in its advice letter filing for the Newberry site.
3. SoCal should record an amount not to exceed \$140,106 split between a non-interest bearing and an interest bearing memorandum account. Since this remediation involves PCB's, SoCal should not exceed \$64,576 in a non-interest bearing memorandum account and should not exceed \$75,530 in an interest bearing memorandum account.
4. SoCal should assume all costs exceeding this authorized amount for the remediation activities described in the advice letter filing.
5. SoCal should not include \$1,650 for project oversight in its Newberry remediation budget.
6. SoCal's budget for cleanup expenses should not include charges for material that has already been removed.
7. Expenses recorded in these memorandum accounts should be subject to a subsequent reasonableness review and should not be placed into rates until ordered by the Commission after the review.

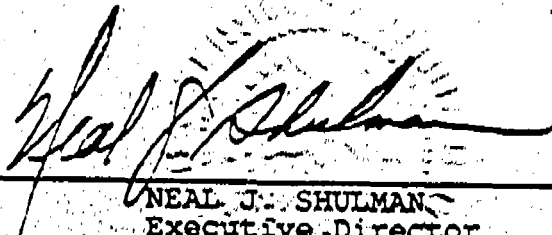
July 22, 1992

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to record an amount not to exceed \$64,576 in a non-interest bearing Memorandum Account and an amount not to exceed \$75,530 in an interest bearing Memorandum Account for the remedial action requested in Advice Letter 2119-G.
2. Southern California Gas Company shall assume all costs exceeding this authorized amount for the remediation activities described in the advice letter filing.
3. No costs or expenses paid or incurred prior to the date of this Resolution shall be included in the account.
4. Expenses recorded in these accounts shall be subject to a reasonableness review and shall not be placed into rates until ordered by the Commission.
5. Advice Letter 2119-G shall be marked to show that it was approved by Commission Resolution G-3006 as modified here.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 22, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners