

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION G-3017  
October 6, 1992

R E S O L U T I O N

RESOLUTION G-3017. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL TO RECORD UP TO \$298,000 IN A MEMORANDUM ACCOUNT FOR INVESTIGATION COSTS OF THE FORMER OAKLEY ROAD METERING SITE.

BY ADVICE LETTER 1698-G, FILED ON JUNE 12, 1992.

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SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests approval to record up to \$298,000 in a memorandum account for the cost of investigating the extent of contamination beneath the former Oakley Road Metering site (Oakley site) pursuant to D. 88-09-020. PG&E also requests approval to book agency oversight costs in the memorandum account as well.
2. This resolution decreases the amount that PG&E is allowed to record in the memorandum account to \$194,637. This amount includes up to \$700 for agency oversight of the Oakley site investigation.

BACKGROUND

1. In Decision (D.) 88-09-020, the Commission established procedures for PG&E advice letter filings related to the funding of hazardous waste cleanup projects. The decision ordered an advice letter to be filed for a project or group of projects before incurring expenditures and to include a copy of the local agency order to undertake site work and a detailed workplan, schedule, and budget.
2. Pursuant to D. 88-09-020, PG&E filed A.L. 1698-G requesting a memorandum account for investigation expenses at the Oakley site located south of Oakley Road near Phillips Lane in Antioch, California. The Oakley site (approximately .7 acres) is owned by Standard Pacific Gas Lines (Stanpac), which is a California corporation owned 6/7th by PG&E and 1/7th by Chevron Corporation. From its acquisition in 1945 through the mid 1970's, the site was used for routine operations associated with the handling of natural gas well liquids. Since the mid 1970's, the site has been used for storage of pipeline equipment.

3. An initial investigation conducted by PG&E in August 1991 detected elevated levels of hydrocarbons and polychlorinated biphenyls (PCBs) in the soil and groundwater beneath the Oakley site. As a result of this initial investigation, the Contra Costa Health Services Department (Contra Costa), in agreement with the Central Valley Regional Water Quality Control Board, directed PG&E to investigate and determine the full extent of soil and groundwater contamination within and adjacent to the Oakley site.

4. The original budget submitted by PG&E with this advice letter estimated Oakley site investigation costs of \$297,899. This budget contains four main subparts:

\$ 48,900	PG&E Labor
14,380	Materials
165,873	Outside Contracts
68,746	Contingency (30% of the above two items)
<u>\$297,899</u>	Total

#### NOTICE

1. PG&E 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 22, 1992.

#### PROTESTS

1. The Division of Ratepayer Advocates (DRA) protested AL 1698-G on July 10, 1992 as follows:

- a. DRA believes that in its last General Rate Case (GRC), D.89-12-057, PG&E was granted \$248,000 per year for miscellaneous investigative expenses of hazardous waste sites.
- b. DRA also states that PG&E has included its own labor and non-labor expenses in the budget for the Oakley site investigation. DRA believes that expenses associated with PG&E's in-house staff and materials are generally funded in the 1990 GRC.

#### RESPONSE TO PROTEST

1. PG&E responded to DRA's protest on July 24, 1992 as follows:

- a. PG&E states that in an agreement with DRA in its last GRC, \$248,000 per year would be allowed for preliminary investigations needed to adequately support an advice letter filing. However, PG&E asserts that AL 1698-G concerns remedial investigation activities which are

handled through the advice letter process on a project specific basis.

- b. PG&E claims that its in-house labor and material expenses included in the Oakley site budget were not included in the 1990 GRC. PG&E states that labor for the Technical and Ecological Services Department (TES), included in the Oakley site budget, is charged to projects as work is performed on these projects. Since the Oakley site project was not included in the 1990 GRC, the TES labor costs for this project were not included in the GRC.

### DISCUSSION

1. In accordance with the requirements of D. 88-09-020, PG&E has filed a copy of the directive to undertake work at the Oakley site and a work plan and schedule for the project. However, the budget and work plan included with this advice letter were not sufficiently detailed and required clarification as discussed below.

2. Contra Costa will bill PG&E \$70 per hour for oversight of the Oakley site investigation. Contra Costa estimates that no more than 10 hours of oversight will be needed for the Oakley site.

3. This investigation will determine the extent of soil and groundwater contamination and will result in a site characterization report. Therefore, the investigation is remedial and not preliminary. D. 88-09-020 allows investigation expenses to be recorded in a memorandum account following approval in an advice letter. Since the \$248,000 funded in the 1990 GRC was intended for preliminary investigations, PG&E may request recovery of remedial investigation costs through a memorandum account. However, the Commission may want to consider in future GRC's whether funds for preliminary investigations should be included in the advice letter process.

4. PG&E has included \$48,900 of its own in-house labor expenses and \$3,160 of its own material expenses in the budget for the Oakley site investigation along with expenses for outside contracts. Specifically, PG&E labor costs include \$14,700 for a project manager, geologist, soil analysis crew, and a survey crew from the TES department. In addition, the budget includes \$34,200 for two drill rig crews from PG&E's Engineering and Construction (ENCON) unit. The budget also includes \$1,000 for miscellaneous field and office materials further defined by PG&E to include vehicle mileage, subsistence, and report production. PG&E has also disclosed that two machines listed on the budget (loader and steam cleaner) will be provided by PG&E's ENCON unit for a total of \$2,160. These in-house labor and material expenses total \$52,060.

5. PG&E states that the above listed labor and material costs were not included in the 1990 GRC because the Oakley site

investigation was not one of the projects for which costs were capitalized. However, this argument is irrelevant because a general rate case is not intended to forecast all future project expenses in detail. If a project arises that was not forecasted in the general rate case, PG&E is at risk for those costs. Therefore, \$52,060 in PG&E's labor and material costs that are listed in item 4 above should be excluded from the amount to be recorded in a memorandum account for this remedial investigation. The hazardous waste memorandum account process was not intended to record utility labor and non-labor expenses that may already be funded through the general rate case. As stated in D. 88-09-020 that established the hazardous waste memorandum account process, once evidence has been produced that raises a reasonable doubt regarding the double recovery of costs, the burden of proof is on the utility to overcome this doubt (29 CPUC 2d 185, 208). PG&E has not provided any further evidence that overcomes the doubt raised concerning double recovery of costs.

6. The hazardous waste advice letter process was intended to expedite approval of memorandum account treatment for hazardous waste expenses and requires the utilities to submit detailed budgets, schedules, and work plans on a project specific basis. A detailed budget and work plan should include documentation to support how the budgeted dollars are calculated and an explanation of the materials and personnel needed to perform the investigation or cleanup. In order for the Commission to approve PG&E's own labor and non-labor expenses for a hazardous waste clean-up project, PG&E would have to prove that these expenses are above and beyond the funds authorized in the general rate case and that good cause existed, other than merely exceeding the adopted test year expense levels, to allow for recovery in a memorandum account.

7. The proposal by SEACOR for professional support services for the Oakley site investigation contains a mathematical error. The correct total for the proposal is \$60,222 rather than \$58,008.

8. The Commission Advisory and Compliance Division (CACD) requested additional clarification from PG&E on several items from the original budget. PG&E submitted a revised budget on August 21, 1992, and additional documentation to support the budgeted figures for the following items:

- a. The revised budget for laboratory services decreased the cost estimate from \$71,920 to \$58,296. PG&E also provided documentation to support the lower figure. Therefore, PG&E may record an amount not to exceed \$58,296 for laboratory services in the memorandum account.
- b. The revised budget increased the estimate for well products from \$275 per well to \$835 per well for 20 wells (\$16,700). PG&E's documentation supports the higher figure and therefore, PG&E may record an amount

not to exceed \$16,700 for well products in the memorandum account.

- c. The documentation submitted indicated that the rental of roll-off bins will cost \$1,680. The budgeted amount for this item will therefore be reduced from \$2,320 to \$1,680.

9. The Oakley site budget submitted by PG&E included a 30% contingency. PG&E stated this amount is necessary because field conditions can make the site more costly than originally anticipated. However, PG&E did not specify a rate for cost overruns that may occur. Other recent advice letter filings of this type have typically included a contingency of only 10% (see Advice Letters 1678-G and 1681-G). An adequately prepared and detailed workplan should reduce the need for a contingency as high as 30%. We see no need for a contingency as high as 30% for this project.

10. However, in the event that unforeseen circumstances do occur, PG&E should be allowed to record up to 10% over the approved budget in the memorandum account for additional agency oversight, additional wells, or additional labor at the rates approved in this resolution. Specifically, PG&E may record contingency costs as follows: agency oversight at \$70 per hour, additional well products at \$835 per well, well permits at \$120 per well, labor for the contract geologist at \$455 per day, mobile lab at \$1800 per day, fixed lab at \$266 per sample, and quarterly monitoring at \$199 per sample. Any additional funds spent under the SEACOR contract should be recorded at the rates specified in the SEACOR cost proposal. Contingency funds should not be used for facility clean up and waste disposal, as mentioned in PG&E's August 3, 1992 letter, since these items were not specifically estimated in the budget or workplan filed with this advice letter.

11. Based on the analysis above, the Commission approves a budget for the Oakley site investigation that excludes \$52,060 for the items listed in number 4 above. Furthermore, the contingency for this project is limited to 10% as specified above. Therefore, based on the revised budget submitted by PG&E on August 21 with the modifications noted above, the following items and amounts may be recorded in a memorandum account for the Oakley site:

Geologist Contract <sup>1</sup>	\$ 35,945
Laboratory Services	58,296
SEACOR Contract	60,222
Materials	
Roll-off bins	1,680
Baker Tank	1,000
Well Products	16,700
Well Permits	2,400
Oversight by Contra Costa County	700
Subtotal	<u>\$176,943</u>
Contingency -- 10%	<u>17,694</u>
TOTAL	<u>\$194,637</u>

#### FINDINGS

1. Contra Costa County, in agreement with the Central Valley Regional Water Quality Control Board, has directed PG&E to investigate the Oakley site.
2. PG&E may record up to \$700 for agency oversight in the memorandum account for the Oakley site investigation.
3. The work to be performed at the Oakley site is a remedial investigation.
4. PG&E should not include \$52,060 for TES and ENCON labor, miscellaneous materials, and a loader and steam cleaner in the amount recorded in the memorandum account. The contingency for this project should be limited to 10% as stated in the discussion above. Contingency funds should not be used for facility clean up and waste disposal.
5. PG&E should record an amount not to exceed \$194,637 in a memorandum account for the Oakley site investigation as set forth in this resolution.
6. The Commission is not ruling on or judging the reasonableness of PG&E's expenses for investigation of the Oakley site. Proceedings to determine the reasonableness and prudence of the entries into this memorandum account shall be performed at a later date.

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1 Provided through contract with Volt Temporary Service as outlined in PG&E's letter of 8/21/92.

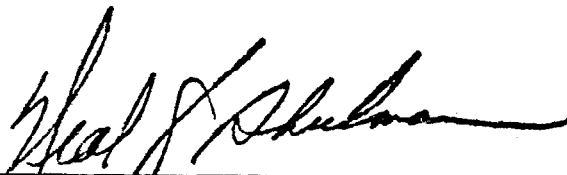
October 6, 1992

**THEREFORE, IT IS ORDERED that:**

1. Pacific Gas and Electric Company is authorized to record an amount not to exceed \$194,637 including up to \$700 for agency oversight, in an interest bearing memorandum account for the remedial investigation of the former Oakley Road metering site.
2. No costs or expenses paid or incurred prior to the date of this resolution shall be included in the memorandum account.
3. Expenses recorded in the memorandum account shall be subject to a reasonableness review and shall not be placed into rates until ordered by the Commission.
4. Upon receipt of a revised budget for the Oakley site that adopts the modifications in this resolution, Advice Letter 1698-G shall be marked to show that it was approved by Commission Resolution G-3017.

This resolution is effective upon receipt of the revised budget described in Ordering Paragraph 4.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 6, 1992. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

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