

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



August 18, 1999

Advice Letter: 1385-E

Mr. Don Fellows, Manager
Pricing Design and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

RECEIVED
AUG 23 1999
D. A. FELLOWS

Reference: Addition of the Fuel Oil Pipeline and Storage System to the Hazardous Substance Cleanup Cost Recovery Mechanism

Dear Mr. Fellows:

Advice Letter No. 1385-E is effective August 1, 1999. We are returning a copy of the advice letter and resolution for your records. If you have any questions please contact Massis Galestan at (415) 703-1760.

Sincerely,

A handwritten signature in black ink, appearing to read "K.P. Coughlan" with a stylized flourish at the end.

Kevin P. Coughlan, Chief
IMC Branch
Energy Division

Filed: 6/22/99
Effective: 8/1/99

June 22, 1999

ADVICE 1385-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Addition of the Fuel Oil Pipeline and Storage System to the
Hazardous Substance Cleanup Cost Recovery Mechanism

In compliance with Decision No. 94-05-020 (D.94-05-020), dated May 4, 1994, Southern California Edison Company (SCE) hereby transmits for filing the following changes in its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing revises SCE's Preliminary Statement, Part V, Hazardous Substance Cleanup Cost Recovery Mechanism (Mechanism), to add the Fuel Oil Pipeline and Storage System (System) to the list of sites listed within Table A of Section 2.d.

INFORMATION

D.94-05-020, among other things, authorized SCE to establish a mechanism relating to hazardous substance cleanup costs. On June 8, 1994, SCE filed Advice 1055-E-A, to establish Preliminary Statement, Part V, Hazardous Substance Cleanup Cost Recovery Mechanism. In D.94-05-020, the Hazardous Substance Cost Recovery Mechanism provided a methodology for allocating costs and related recoveries between SCE's ratepayers and shareholders associated with the cleanup of certain properties contaminated with hazardous substances. This methodology allowed that 90% of the cleanup costs would be assigned to utility ratepayers and 10% of the cleanup costs would be assigned to utility shareholders.

SCE has the option to add additional sites to the Mechanism under terms of the Hazardous Substance Cleanup Cost Recovery Collaborative Report submitted in

response to Decision No. 92-11-030 and the associated Settlement Agreement (Collaborative Settlement Agreement) adopted by the Commission in D.94-05-020.

On October 26, 1994, the Commission issued Decision No. 94-10-044 in Application No. 93-07-029, which adopted, among other things, a Settlement Agreement between SCE and the Office of Ratepayer Advocates¹ (ORA). D.94-10-044 authorized SCE to encumber its fuel oil pipeline and storage facilities by entering into long-term contracts to transport and store fuel oil, and adopted a new regulatory mechanism (Gross Revenue Sharing Mechanism) for the treatment of revenues derived from new third-party uses of the Fuel Oil Pipeline and Storage System.

The Settlement Agreement adopted in D.94-10-044 set forth the environmental obligations for shareholders and ratepayers. SCE and ORA agreed to a process for allocating costs associated with the cleanup and remediation of environmental contamination between SCE's shareholders and ratepayers:²

"1. Shareholder Liability

Edison shareholders shall pay all cleanup and remediation costs associated with each component of System³ equipment and resulting from events or operation occur[r]ing after the first use of that particular component for third party use authorized through this proceeding, regardless of any other actual use of that component for Necessary Electric Utility Uses."

"2. Ratepayer Liability

Edison may recover from electric customers the cleanup and remediation costs resulting from events or operation occur[r]ing prior to the use authorized through this proceeding of each component of the System for third party use in accordance with the then prevailing Commission decisions, regulations and mechanisms for such costs."

The present advice filing applies the Hazardous Substance Cleanup Cost Recovery Mechanism to that portion of System cleanup and remediation costs subject to ratepayer liability—i.e., cleanup of any contamination that occurred prior to placement of particular System facilities into third-party commercial use. The Hazardous Substance Cleanup Cost Recovery Mechanism constitutes the "prevailing Commission...mechanism" contemplated in the ratepayer liability language noted above. This advice filing does not seek to modify the shareholder responsibility established by D.94-10-044 for contamination occurring after the onset of third-party use.

¹ Formerly Division of Ratepayer Advocates

² D.94-10-044, Attachment, p. B-1.

³ Fuel Oil Pipeline and Storage System.

SCE seeks to include the Fuel Oil Pipeline and Storage System in the Mechanism now because SCE has initiated a comprehensive environmental assessment associated with potential market valuation and disposition or decommissioning of facilities comprising the System. These facilities include approximately 120 miles of pipeline and approximately 7.8 million barrels of oil storage capacity in 49 oil storage tanks at thirteen locations. The System is connected to various marine terminals and eight former SCE generating stations, four of which are located in Los Angeles County, two in Ventura County, one in Orange County and one in San Bernardino County. Two marine terminals, one with minor storage, are located in Ventura County and provide the only method for the transportation of fuel oil to the two generating stations located in Ventura County. Other facilities associated with this pipeline system are 15 valve boxes, 7 launcher facilities and 7 heating and pumping stations (used to keep viscous petroleum product moving through the pipeline system, and into and out of fuel storage). Other sources of contamination requiring cleanup may also be identified as part of this review.

The Collaborative Settlement Agreement requires that the following information be provided to the Commission in order to include an additional site in the Mechanism: (1) the name of the site; (2) the location of the site; (3) the source, nature, and approximate date of the contamination; (4) utility operations (historical and current) at the site, if any; and (5) environmental agency actions and oversight regarding the site, if any. Attachment B contains the relevant information for the Fuel Oil Pipeline and Storage System.

In addition, Decision No. 96-07-016, dated July 3, 1996, requires that a utility seeking recovery of hazardous waste cleanup costs through an advice letter filing demonstrate that: (1) cleanup costs for which recovery is being sought are not being recovered through base rates or through any other recovery procedure; and (2) all of the costs for which recovery is being sought are hazardous waste cleanup costs (including insurance costs) found appropriate for recovery in the Collaborative Report. SCE's current rate levels as adopted in recent regulatory proceedings, such as the General Rate Case and Performance Based Ratemaking proceedings, do not include recovery for hazardous substance cleanup costs and related insurance litigation costs associated with the Fuel Oil Pipeline and Storage System identified in this advice filing. Instead, these costs, net of applicable insurance recoveries, will be recovered pursuant to the Mechanism.

The Mechanism provides a methodology for allocating, between SCE's ratepayers and shareholders, costs and related recoveries associated with the cleanup of hazardous substances at contaminated covered properties. Upon the effective date of this advice filing, the hazardous substance cleanup costs, insurance litigation costs, and insurance recoveries associated with the Fuel Oil Pipeline and Storage

System will be accounted for using unique accounting codes which distinguish them from other routine operation and maintenance expenses and insurance receipts. Costs and recoveries recorded under these unique accounting codes will be reviewed internally by SCE on a monthly basis to ensure that they are appropriate for inclusion in the Mechanism, as defined on pages 4-7 of Appendix A in D.94-05-020, and are related to covered sites. These accounting procedures ensure that cleanup costs are captured correctly in the Mechanism and that these costs are not included for recovery in other regulatory proceedings. D.94-05-020 requires that costs and recoveries recorded under the Mechanism be reported to the Commission annually.

This advice filing will not increase or decrease any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

EFFECTIVE DATE

In accordance with the Collaborative Settlement Agreement, it is requested that this advice filing become effective on the 40th calendar day after the date filed, which is August 1, 1999. No Resolution is required for this advice filing; therefore, approval of this advice filing is not subject to the review and comment provisions of Senate Bill 779.

NOTICE

Anyone wishing to protest this advice filing may do so by sending a letter no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above), and Donald A. Fellows, Manager of Revenue and Tariffs, Southern California Edison Company, 2244 Walnut Grove Avenue, Rosemead, California 91770, Facsimile (626) 302-4829. There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list. Pursuant to the Collaborative Settlement Agreement and D.94-05-020, copies of this advice filing are also being furnished to all parties in Application No. 91-04-044. Address change requests should be directed to Emelyn Lawler at (626) 302-3985.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters.

Southern California Edison Company

/s/

Donald A. Fellows, Jr.

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Enclosures

cc: CPUC, SF - Attn: Elena Schmid, ORA

Public Utilities Commission

1385-E

Attachment A

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
Revised 25977-E	Preliminary Statement, Section V	Revised 21915-E*
Revised 25978-E	Table of Contents	Revised 25366-E
Revised 25979-E	Table of Contents	Revised 25967-E

PRELIMINARY STATEMENT
(Continued)

V. Hazardous Substance Cleanup Cost Recovery Mechanism. (Continued)

2. Definitions. (Continued)

d. Covered Sites: (Continued)

Table A
Authorized Covered Sites (Continued)

<u>Covered Site</u>	<u>Authorization</u>	
Other Sites: (Continued)		
Rosen's Electrical Equipment Company	Adv. Ltr. 1100-E	
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Cool Water Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
El Segundo Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
Etiwanda Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
Huntington Beach Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
Highgrove Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
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Mandalay Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
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San Bernardino Generating Station	D. 94-05-020/Adv Ltr. 1128-E	
Alhambra Combined Facility	D. 94-05-020/Adv Ltr. 1240-E	
Ascon Landfill	D. 94-05-020/Adv Ltr. 1240-E	
Cameron-Yakima	D. 94-05-020/Adv Ltr. 1240-E	
Mobil Smelting	D. 94-05-020/Adv Ltr. 1240-E	
Omega Chemical	D. 94-05-020/Adv Ltr. 1240-E	
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(To be inserted by utility)
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Issued by
John Fielder

Senior Vice President

(To be inserted by Cal. PUC)
Date Filed Jun 22, 1999
Effective _____
Resolution _____



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ATTACHMENT B

Site Name: Southern California Edison Company (SCE) Fuel Oil Pipeline and Storage System ("System")

Location: The SCE Fuel Oil Pipeline and Storage System includes approximately 120 miles of pipeline and approximately 7.8 million barrels of oil storage capacity in 49 oil storage tanks at 13 locations. The System is connected to various marine terminals and eight former SCE generating stations, four of which are located in Los Angeles County, two in Ventura County, one in Orange County and one in San Bernardino County. Two marine terminals, one with minor storage, are located in Ventura County and provide the only method for the transportation of fuel oil to the two generating stations located in Ventura County. Other facilities associated with this pipeline system are 15 valve boxes, 7 launcher facilities and 7 heating and pumping stations (used to keep viscous petroleum product moving through the pipeline system, and into and out of fuel storage).

Source, Nature, and Approximate Date of Contamination: During the period from 1952 to 1976, SCE constructed an extensive fuel oil storage and pipeline System to re-supply the majority of its oil and gas-fired generating stations with oil, SCE's principal generating fuel up to the early 1980s. The oil and gas-fired generating stations have subsequently been sold (in 1998), and are now being operated by third parties, almost exclusively using natural gas as the fuel source. Investigation of soil contamination conditions associated with various elements of the System date back many years, with a concentrated planned effort having begun in 1994 and expected to be completed in 1999. The purpose of this planned effort was to establish a baseline reference point to determine the extent of any soil contamination that may have occurred prior to using certain equipment for third-party business, pursuant to California Public Utilities Commission (Commission) Decision 94-10-044 (D.94-10-044). All System facilities have recently undergone Phase 1 Environmental Site Assessments for the purpose of upgrading or otherwise pursuing decommissioning of System facilities, based on a needs analysis. This program is intended to address any undetected past leakage. Current efforts include visual inspections of facilities for past leakage as well as reviews of facility equipment history records. If evidence of possible, previously-undetected past leakage is found, soil sampling will be undertaken and the samples analyzed for fuel oil content. If fuel oil is detected, SCE will work with the proper authorities to address the problem. It is known that eight corrosion-related releases of fuel oil occurred along the pipeline system between 1974 and 1980. No pipeline releases have occurred since 1980. Both the El Real and the Port Hueneme Heating and Pumping Stations, however, are known to have had surficial oil spillage and remediation conducted between 1995 and 1997, and surficial oil spillage remediation was also conducted, where accessible, at the Dominguez Hills Storage Facility.

Utility Operations (Historical and Current) At The Site: As noted above, most of the System facilities were constructed in the period from 1952 to 1976. These facilities were used to supply the SCE oil and gas-fired generation stations with oil, SCE's principal generating fuel up to the early 1980s when natural gas became available in substantial amounts. Due to stringent air quality standards and the availability of abundant supplies of natural gas, the System has subsequently provided fuel oil as a secondary fuel source in the event of temporary gas supply curtailment. During this period, substantially less than the full capacity of the System was needed to support SCE's generation stations in case of emergency use. In 1994, SCE proposed to enter into contracts with third parties for the transportation and storage of compatible "Black Oil" products, utilizing available capacity in SCE's existing System, and was granted authority pursuant to D.94-10-044. No significant new construction was required to handle these third party products (although some capital improvements have been made to each tank utilized to store third-party crude oils). In addition, certain minor modifications to the System were required, and were subsequently approved by the Commission and the South Coast Air Quality Management District in the same year. From 1994 to the present, the System has been operated to serve emergency back-up needs to SCE's generation stations and to contract with third parties for petroleum product transport and storage. With the sale of SCE's gas and oil-fired generation stations in 1998, the continuing abundance of natural gas fuel supplies, and anticipated determination by California's Independent System Operator that, at most, limited fuel oil back-up may be needed to assure reliability of the state's electrical energy supplies, SCE is contemplating the disposition or decommissioning of various elements of the System.

Environmental Agency Actions and Oversight: All reportable findings of contamination have been submitted to the responsible Regional Water Quality Control Board (RWQCB) when discovered. Soil contamination, where accessible at the time, has been remediated. Inaccessible contamination that is not threatening groundwater has been allowed to remain in place by the RWQCB until such time as the affected facility is upgraded, decommissioned and/or removed. In April 1999, SCE was brought into a lawsuit filed by the County of Los Angeles against several pipeline owners who have active pipeline facilities running beneath Sepulveda Boulevard in the Carson area. Petroleum hydrocarbon contamination was first discovered in 1992 during excavation for a Los Angeles County Department of Public Works' Sepulveda Storm Drain Project. SCE has been cited as a Potentially Responsible Party with an estimated 2.13% liability.