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February 28, 2011

Mr. Eric Chiang
California Public Utilities Commission
505 Van Ness Ave, 4th Floor
San Francisco, CA 94610

Subject: Central Valley Natural Gas Storage Project – Request for Notice to Proceed with Construction Activities Associated with the Compressor Station, Remote Well Pad, and Observation Wells

Dear Eric:

Central Valley Gas Storage, LLC (CVGS) is requesting the CPUC's issuance of a notice to proceed (NTP) for construction activities associated with the 10-acre compressor station, 5-acre remote well pad, and three observation wells. As shown in the current construction schedule (provided with this letter), equipment mobilization is scheduled to begin approximately March 7, 2011 and ground-disturbing site preparation activities no sooner than March 14, 2011. Please be aware that the first round of safety and environmental training will be held during the week of March 7, 2011 for all construction personnel that will be involved in construction activities. The safety training program that was developed by CVGS' team will be given by each construction contractor to their crews. The environmental preconstruction program will be delivered by ICF.

To support this NTP request, CVGS provided a variety of required permits, plans, and supporting documentation as part of two Mitigation Monitoring Compliance and Reporting Plan (MMCRP) submittals to the CPUC (sent on January 25 and February 28, 2011). The items submitted to the CPUC are summarized in the two tables accompanying this letter.

As part of this first NTP, we are requesting the CPUC specifically approve CVGS to proceed with the following (identified in Table 2 of the MMCRP as NTPs #1 and 3):

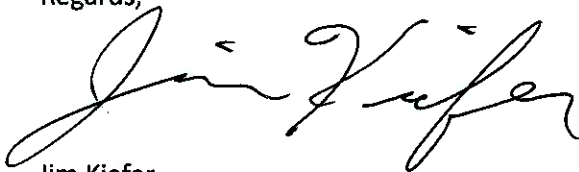
1. Establish equipment and material staging areas to support construction activities associated with the remote well pad, compressor station, and observation wells. The staging areas are shown in the figure provided with this NTP request letter.
2. Access road and site preparation for the existing observation wells (Southam #3, Southam #4, and Sara Louise #1). These activities will involve leveling the site around the well heads and placing gravel on the access roads to the wells and the well pads.
3. Site preparation for the remote well pad and compressor station sites. This site preparation will involve removal of top soil, grading, excavation, compaction of subsoil, backfilling sites with

engineered material, and installing the berm on the south and west side of the buffer area around the remote well pad.

Please be aware that the last environmental permit that is required to initiate construction activities at the compressor station and remote well pad is the 2080.1 Consistency Determination from the California Department of Fish and Game (CDFG) for giant garter snake. We expect this permit to arrive on or before March 5, 2011 and will provide a copy to the CPUC via email. There are no other environmental permits required to initiate conversion of the observation wells (i.e., there is no giant garter snake upland or aquatic habitat associated with the observation wells and therefore a 2080.1 Consistency Determination from CDFG is not required to initiate observation well work).

Please let me know if you have any questions.

Regards,

A handwritten signature in black ink, appearing to read "Jim Kiefer". The signature is fluid and cursive, with the first name "Jim" being larger and more prominent than the last name "Kiefer".

Jim Kiefer
Director Project Development
Central Valley Gas Storage

CC:

David Hochart/Scott Eckardt, Dudek
Homer Savage, Fluor
Sue Bushnell Bergfalk, ICF International