

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 18, 2011

Mr. Jim Kiefer
Director Project Development
Central Valley Gas Storage, LLC
3333 Warrenville Road, Suite 130
Lisle, Illinois 60532

Subject: Central Valley Natural Gas Storage Project - (Application No. 09.08.008) – Variance Request #14

Dear Mr. Kiefer:

A CPUC Environmental Monitor observed the Central Valley Natural Gas Storage Project (CVGS) intent to complete construction activities that would not be in compliance with Applicant Proposed Measure (APM) HAZ-1. A CPUC Environmental Monitor observed pumping equipment and an electrical generator staged immediately adjacent to the Glenn Colusa Canal on October 11, 2011. The pumping equipment and electrical generator are scheduled to be utilized to extract water from the Glenn Colusa Canal in order to complete hydrostatic testing.

The CPUC issued Variance Approval Letter No. 13 on October 10, 2011 to complete hydrostatic testing. Condition #1 of the Variance Approval Letter states all applicable project mitigation measures, APM's and permit conditions shall be implemented. APM HAZ-1 includes the following environmental requirements;

“... To reduce the potential for contamination by spills, no refueling, storage, servicing or maintenance of equipment will be allowed within 100 feet of sensitive environmental resources...”

The CPUC issued an incident report on October 17, 2011, requesting all work associated with the hydrostatic testing pumping equipment be halted until either a variance request is processed in accordance with Section 3.2 of the MMCRP or the equipment is relocated to meet the requirements of APM HAZ-1.

On October 17, 2011, CVGS requested an amendment to Variance No. 13 from the CPUC to utilize pumps and associated equipment within 100 feet of sensitive environmental resources as long as secondary containment measures are in place.

The CPUC voted on October 14, 2010 to approve the CVGS Project (Decision D10-10-001) and a Notice of Determination was submitted to the State Clearinghouse (SCH# 2010042067).

The CPUC also adopted a Mitigation, Monitoring, Compliance and Reporting Program (MMCRP) to ensure compliance with all mitigation measures imposed on the CVGS Project during implementation. The MMCRP also acknowledges that additional or revisions to construction methods are anticipated and that a Variance Request would be required for these activities. This letter documents the CPUC's thorough evaluation of all activities

covered in this variance, and that no new impacts or increase in impact severity would result from the requested variance activities.

Variance #14 for modifications to APM HAZ-1 to utilize secondary containment in place of ensuring no refueling, storage, servicing or maintenance of equipment is completed within 100 feet of sensitive environmental resources is granted by CPUC for the proposed activities based on the factors described below.

CVGS Variance Request. Excerpts from the CVGS Variance Request, received October 17, 2011 and an email correspondence provided by the CVGS Qualified SWPPP Practitioner (QSP) are presented below (indented):

Central Valley Gas Storage, LLC (CVGS) is requesting the CPUC issue an amendment to Variance No. 13 (installation of a temporary pipeline and pumps to withdrawal water for hydrostatic testing) to allow the pumps and associated equipment (electrical generator) to be serviced and refueled within 100 feet of sensitive environmental resources (specifically the Glenn-Colusa Canal and adjacent drainage D-62) as long as secondary containment measures are in place. As you are aware, APM HAZ-1 (implement equipment maintenance and refueling restrictions), states that no refueling, storage, servicing, or maintenance of equipment will be allowed within 100 feet of sensitive environmental resources. We are requesting that the CPUC allow servicing and refueling activities occur within 100 feet of the canal and adjacent drainage as long as secondary containment measures are in place. The environmental monitor will document that the secondary containment measures are in place prior to any refueling or servicing of the pumping equipment and electrical generator.

Both containment devices have adequate capacity and would prevent soil and receiving water contamination if a leak or spill occurred from either fuel tank. The tank enclosed by a steel containment box did not need any modification and has adequate capacity, although a tertiary containment device has been constructed around it to provide an extra measure of protection. On the other tank, the straw bale barrier with plastic lining has been modified to better secure the liner and additional layers of plastic have been installed.

In my assessment, these devices now meet SWPPP requirements to fully contain potential accidental releases of fuel from the drums. Also, note that I have directed the environmental monitor to have the contractor cover the containment devices in the event of rain so as to maintain their capacity and to have proper "spill kits" on hand at all times that the tanks are in place.

CPUC Evaluation of Variance Request.

In accordance with the MMCRP, the subject variance request was reviewed by CPUC to confirm that no new impacts or increase in impact severity would result from the requested variance activities.

The following discussion summarizes this analysis for hydrologic resources, hazardous materials and other issue areas. A list of bulleted conditions is presented to define additional information and clarifications regarding mitigation requirements.

Hydrological Resources – The Glenn Colusa Canal, which consists of an open water canal, is located immediately adjacent to the water pumps and associated equipment that has been staged onsite in order to complete hydrostatic testing. Best Management Practices (BMPs) will be installed in accordance with APM BIO-2, which includes implementation of a Stormwater Pollution Prevention Plan (SWPPP). In addition, as seen in the Dewatering and Discharge Plan for the Central Valley Natural Gas Storage Project (September 28, 2011), the discharging of hydrostatic water would be adjusted as needed to prevent oversaturation and erosion. BMPs, such as sandbags, hay bales, filter bags, and straw wattles, would be utilized to prevent erosion and discharge. No impacts to hydrological resources are anticipated with the implementation of the conditions noted below.

Hazardous Materials – CVGS proposes to utilize water pumps and associated equipment within 100 feet of the Glenn Colusa Canal. The use of hazardous materials to operate and maintain the water pumps and associated equipment during construction (e.g., gasoline, diesel, lubricants, solvents, etc...), if not properly secured during storage or operation could create a significant hazard to the public and the environment through an accidental spill or release. Potential hazards (accidental spills) during construction would be considered significant in absence of implementing APM HAZ-1, which prohibits pumps and associated equipment to be serviced and refueled within 100 feet of sensitive environmental resources. With implementation of the conditions noted below, which requires CVGS to install secondary containment will ensure impacts to the public or the environment through the use, or disposal of hazardous materials would be less than significant.

Other Issue Areas. No concerned noted under this variance.

Conditions of Variance Approval.

The conditions presented below shall be met by CVGS and its contractors:

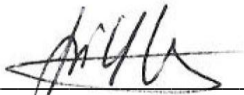
1. All applicable project mitigation measures, APM's, and permit conditions shall be implemented. Some measures have on-going/time-sensitive requirements and shall be implemented prior to and during construction where applicable.
2. Copies of all relevant permits, compliance plans, and this Variance approval shall be available on site for the duration of construction activities.
3. All project personnel, shall be provided an environmental briefing focused on resources in the area, erosion control requirements, and the limits of the work area. A log shall be maintained on-site with the names of all crew personnel trained. All participants will receive a hard-hat sticker for ease of compliance verification.
4. Construction of a watertight secondary containment for each tank or group of tanks shall be constructed where the secondary containment will, at a minimum, contain the entire contents of the largest tank plus precipitation.

Jim Kiefer
October 18, 2011

5. The QSP shall provide documentation to the CPUC indicating whether the SWPPP prepared for the project will be amended to include secondary containment measures.

Please contact me if you have any questions.

Sincerely,



Eric Chiang
CPUC Environmental Project Manager
Central Valley Gas Storage Project

cc: *D. Hochart and S. Eckardt, Dudek*
S. Bushnell-Bergfalk, ICF
J. Kiefer, Central Valley Gas Storage, LLC
N. McIntire and H. Salvage, Flour Inc.