PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 13, 2012

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 #16

Dear Mr. Kiefer:

On February 6, 2012, Central Valley Natural Gas Storage (CVGS) requested a variance from the California Public Utilities Commission (CPUC) to allow the discharge of approximately 130,000 gallons of test water from the saltwater tank into an adjacent rice field. This is a modification to the proposed construction methods that were approved for the Central Valley Gas Storage Project.

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 minor changes to the project 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 #16 allowing the discharge of approximately 130,000 gallons of test water from the saltwater tank into an adjacent rice field is granted by CPUC based on the factors described below.

CVGS Variance Request. Excerpts from the CVGS Variance Request, received February 6, 2012 are presented below (indented):

> This variance requests the CPUC's approval to allow CVGS to discharge approximately 130,000 gallons of test water from the saltwater tank into an adjacent rice field. The saltwater tank will be filled to test the integrity of the tank and then the water discharged into the adjacent rice field. The project description in the MND and the Dewatering and Discharge Plan did not specifically describe the use and discharge of saltwater tank hydro-test water into the adjacent field.
>
> CVGS will obtain the 130,000 gallons of test water from two locations near the remote well pad: 1) the well at the north end of Princeton ("North Point Well") and 2) the canal that runs parallel to State Route 45 (south of Spencer Road and north of Paradise

Road). The water will be pumped from these two sources by the water truck. The water truck will transport the test water to the remote well pad where it will then be pumped by the water truck into the saltwater tank. After the testing is complete, the water will then be gravity drained using a fire hose and discharged into the adjacent agricultural field. CVGS does not anticipate the need to use any pumps or install pipelines to support this test water activity. The saltwater test activity is currently scheduled for February 14, 2012.

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. This review also included a visit to the subject site on February 9, 2012 by the CPUC Lead Environmental Monitor (EM).

The following discussion summarizes this analysis for agricultural, biological, cultural, paleontological, hydrological resources, traffic, sensitive land uses/noise and other issue areas. A list of conditions is presented to define additional information and clarifications regarding mitigation requirements.

Agricultural Resources – The proposed discharge of approximately 130,000 gallons of test water into an adjacent fallow rice field will not result in impacts to Farmland of Statewide or Local Importance. The flooding of agricultural fields in this area is common practice due to the prevalence of rice production in the region. Further, the landowner has agreed to the discharge. No new impacts or increase in impact severity for agricultural resources are anticipated.

Biological Resources - The proposed discharge of 130,000 gallons of test water from the saltwater tank into an adjacent, fallow rice field is not expected to have any adverse effects on giant garter snake. Giant garter snakes are estivating underground this time of year, typically within small mammal burrows or earthen crevices on banks and other upland refugia adjacent to irrigation canals and drainages with perennial water and wetland vegetation characteristic of this species' preferred habitat. While giant garter snakes will utilize flooded rice fields during their above-ground activity period as foraging and cover habitat, they do not typically use such fields during their dormant period.

However, if the field in which the test water will be discharged is being used by California ground squirrels, it is possible that burrows of these animals could be utilized by western burrowing owl as winter cover habitat. As listed below in the conditions of this variance request approval, a qualified biologist will be required to conduct a survey of the portion of the field to accept the discharged test water to ensure that (1) no burrow habitat is present that could support owls, or (2) if burrow habitat is present, no owls are currently utilizing any available burrows as winter cover habitat within the discharge area.

To avoid potential impacts to burrowing owls, CVGS and its contractors will implement the protective measures noted below in the conditions section. No new impacts or

increase in impact severity for biological resources are anticipated with the implementation of the conditions.

Hydrological Resources – No sensitive water features occur within the agricultural field where the discharge would occur. The discharging of test water shall be adjusted as needed to prevent oversaturation and erosion. Best Management Practices (BMPs), such as sandbags, hay bales, filter bags, and straw wattles, shall be utilized to prevent erosion and discharge. No impacts to hydrological resources are anticipated with the implementation of the conditions noted below.

Cultural & Paleontological Resources – The proposed discharge of test water into the agricultural field adjacent to the remote well pad site is located in an area that has been previously disturbed through agricultural activities. Therefore, as the activities proposed under this variance would occur above-grade, there are no cultural and paleontological concerns. No impacts to cultural or paleontological resources are anticipated.

Traffic. The saltwater tank at the remote well pad site would be filled with test water prior to being discharged into an adjacent rice field. The test water would be transported via water truck from two locations including from a canal that runs parallel to State Route 45 (South of Spencer Road and north of Paradise Road) and a well at the north end of Princeton. The transport of water from these locations to the saltwater tank at the remote well pad site would be in close proximity to the project site (approximately 2 miles to the canal adjacent to State Route 45 and 3.6 miles to the "north point well" at the north end of Princeton). In addition, the activities proposed under this variance request would be short-term. No impacts to transportation and traffic are anticipated with the implementation of the conditions noted below. Concurrence from Colusa County regarding the haul routes for the water truck trips shall be provided indicating the Traffic Control Plan previously approved for the CVGS project does not require any additional traffic control measures or revisions to existing measures established in the Traffic Control Plan, prior to use of the subject roadways. Once concurrence is obtained, CVGS will submit documentation to the CPUC.

Sensitive Land Uses/Noise. The area is rural in nature and supports large-scale agriculture. The hauling of water to the site and discharge from the saltwater tank to an adjacent fallow rice field would be temporary. Therefore, no new impacts or increase in impact severity for sensitive land uses/noise is anticipated.

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. Measures shall be implemented to prevent oversaturation and erosion resulting from water discharge, in accordance with the CVRWQCB R5-2008-0182 waiver.

2. The CVGS Environmental Monitor shall be on-site during water discharge operations.

3. CVRWQCB staff shall be allowed reasonable access onto the discharge locations. The construction contractor shall monitor the dewatering process and will have the authority (as well as CVGS) to make alterations or stop dewatering operations until problems are corrected. The CVGS Environmental Monitor will document observations in the environmental daily log.

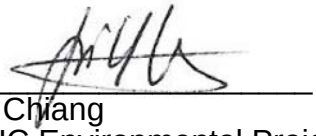
4. The CVGS Environmental Monitor shall conduct a survey for active burrowing owl burrows prior to tank dewatering. If burrowing owl habitat is present, the Environmental Monitor shall confirm that no owls are currently utilizing any available burrows as winter cover habitat within the discharge area. Biological monitoring is required to occur immediately preceding the discharge activity as part of required biological monitoring activities.

5. If any lane restrictions or closures are found to be necessary along roadways where water pumping will occur, prior proof of coordination with emergency service providers and all necessary permits shall be submitted to the CPUC.

6. Concurrence from Colusa County shall be provided indicating the Traffic Control Plan previously approved for the CVGS project does not require any additional traffic control measures or revisions to existing measures established in the Traffic Control Plan, prior to pumping water from the two water source locations. Once concurrence is obtained, CVGS will submit documentation to the CPUC.

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.