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

June 22, 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 #17

Dear Mr. Kiefer:

On June 19, 2012, Central Valley Natural Gas Storage (CVGS) requested a variance from the California Public Utilities Commission (CPUC) to allow CVGS to install two anode ground bed wells for cathodic protection of the well pad facilities that are located at the remote well pad site. This variance request includes a modification to the proposed construction and operation 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 #17 allowing the installation of two anode ground bed wells for cathodic protection of the well pad facilities at the remote well pad site is granted by CPUC based on the factors described below.

CVGS Variance Request. Excerpts from the CVGS Variance Request, received June 19, 2012 are presented below (indented):

> This variance requests the CPUC's approval to allow CVGS to install two anode ground bed wells for cathodic protection of the well pad facilities that are located within the buffer of the remote well pad. These anode wells were not previously described in the MND. The remote well pad consists of a 3.14 acre area surrounded by a 5-acre buffer on three sides. This buffer was created to eliminate rice production directly against the remote well pad which could have undermined the stability and/or integrity of the pad. Construction of the two anode ground bed wells will result in permanent impacts totaling only 39.25 square feet, and temporary construction impacts totaling 1.19 acres.

Construction will begin as soon as possible in June 2012. It will take approximately two weeks to complete all proposed work. All work will be done when the ground is dry, as the equipment needed to drill the wells must be used on a dry, firm surface. The wells consist of a 10-inch diameter casing with two feet of concrete surrounding the casing. There is also a junction box mounted on a post adjacent to each proposed well. The temporary work consists of staging and construction areas adjacent to the proposed wells and trenching and working area to bury cable connecting the proposed wells to the cathodic protection system in the well pad area.

Annual monitoring of the wells will be conducted on foot by a technician, once a year or more frequently, to take readings at the junction box. The equipment within the wells and or junction boxes would require maintenance and or overhaul every 20 years.

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 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 installation of two anode ground bed wells within the buffer of the remote well pad will not result in impacts to Farmland of Statewide or Local Importance. The additional permanent impact area of 39.25 square feet resulting from well installation occurs within the buffer of the remote well pad. This area serves as a buffer and is no longer utilized as agricultural land. No new impacts or increase in impact severity for agricultural resources are anticipated.

Biological Resources - The proposed temporary and permanent impact areas resulting from installation of two anode ground bed wells within the buffer of the remote well pad is expected to result in a permanent loss of a negligible amount of giant garter snake habitat (39.25 square feet). Temporary impact areas (1.19 acres) will be left fallow following construction of the anode ground bed wells. Construction activity will also occur during the active period for the snake.

The U.S. Fish and Wildlife Service (USFWS) has evaluated the potential effects of anode well construction at the remote well pad site and determined that the buffer may continue to provide upland habitat for giant garter snake. As a result of potential habitat being present for the giant garter snake, the project description included in the Biological Opinion for the proposed project has been amended by the USFWS to reflect anode well construction and associated temporary and permanent impacts. To avoid potential impacts to giant garter snakes, 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 – Installation of the anode ground bed wells will require excavation, trenching, and drilling to install a 10-inch diameter casing to a depth of 20-feet, a 2-foot diameter concrete base at the surface of the casing, a junction box connection cable, and an 8-inch diameter anode column to a depth of approximately 300-feet. It is anticipated that there is potential for groundwater to be encountered during excavation and/or drilling. Best Management Practices (BMPs) will be installed in accordance with the Storm Water Pollution Prevention Plan (SWPPP). No impacts to hydrological resources are anticipated with the implementation of the conditions noted below.

Cultural & Paleontological Resources – The proposed anode ground bed well locations and temporary disturbance areas are located within the limits of the area surveyed as part of the Final Initial Study/Mitigated Negative Declaration (FIS/MND) prepared for the CVGS Project. No known resources are present in the area proposed for well installation. In the event of an unanticipated discovery, all ground-disturbing work within the immediate area of the discovery will be suspended. Any new discoveries shall be managed in compliance with the measures identified in the MMCRP. No new impacts or increase in impact severity for cultural resources are anticipated.

As identified in the FIS/MND prepared for the proposed project, underground project components could directly disturb or destroy previously unknown paleontological resources or unique geologic features during ground-disturbing activities occurring within the Riverbank and Modesto formations. With implementation of APM CR-4, which requires CVGS to provide environmental training to construction workers and stop work if resources are discovered; no new impacts or increase in impact severity for paleontological resources are anticipated.

Sensitive Land Uses/Noise. The area is rural in nature and supports large-scale agriculture. The installation of two anode ground bed wells would occur over a two-week period, concurrent with other project construction activity on site. Therefore, no new impacts or increase in impact severity for sensitive land uses/noise is anticipated.

Other Issue Areas. No issues/concerns 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.

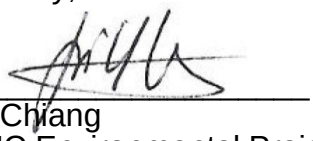
2. Copies of all relevant permits, compliance plans, and this Variance approval shall be available on site for the duration of construction activities.

3. The CVGS Environmental Monitor shall be on-site during construction activity.

4. Conduct biological monitoring in compliance with APM BIO-3. Biological monitoring is required to occur immediately preceding and during active construction as part of required biological monitoring activities
5. Consistent with the project Biological Opinion, the CVGS Environmental Monitor shall conduct a pre-construction survey for giant garter snake no more than 24-hours prior to construction. This survey shall be repeated if a lapse in construction activity of two weeks or greater occurs. If a giant garter snake is encountered during construction, activities will cease until appropriate corrective measures have been completed or it has been determined that the snake will not be harmed. Reporting procedures outlined in the Biological Opinion shall also be followed.
6. In the event that groundwater is encountered during construction, dewatering activities will be completed in accordance with the project's SWPPP requirements. Prior to dewatering activities being completed, CVGS shall provide a dewatering plan to CPUC that identifies how the groundwater would be removed from the excavation, where it would be discharged and the BMPs to be implemented.
7. 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.

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 and J. Boehme, Central Valley Gas Storage, LLC
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