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November 26, 2013

Mr. Michael Robertson, Program Manager
Gas Safety and Reliability Branch
Safety and Enforcement Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Regarding: General Order 112-E Gas Audit of Central Valley Gas Storage
(Audit Letter issued October 31, 2013)

Dear Mr. Robertson:

Central Valley Gas Storage, LLC (CVGS) places the safety of the public and its workforce as its top priority and endeavors to design, construct, install, operate, and maintain its gas pipeline facilities at standards that meet or exceed the requirements of California Public Utilities Commission (Commission) General Order (GO) 112-E. I, along with others in the CVGS executive management group, have directed the development and continuing enhancement of CVGS' comprehensive set of Operations and Maintenance, Emergency Response, Integrity Management, Operator Qualification, and other plans to assure safe and compliant operation of the CVGS facility. These plans were previously submitted to the Commission as the CVGS Operator Safety Plan and were the primary subject of the Gas Safety and Reliability Branch's (GSRB) GO 112-E audit in June of 2013.

CVGS demonstrated its commitment to safety by assembling a comprehensive team on site to support the Commission audit in order to provide full access to all documents and records and to be able to respond quickly to questions by the GSRB audit team as they reviewed CVGS' Operator Safety Plan materials and the CVGS facility. In addition to our on-site Storage Operations staff, we included AGL Resources' corporate personnel that support the CVGS facility, including people with functional expertise in corrosion management, integrity management, and regulatory compliance. I was pleased to have the opportunity to interact with the GSRB audit team during the entire process as well.

We have carefully reviewed the Summary of Inspection Findings and respond to each of the individual findings as follows, including the enhancements to CVGS plans described herein:

A. 1. General Order 112-E Section 122.2 Requirements for Reporting to the Commission

During the time CVGS has been in operation, CVGS is not aware of any incidents in the vicinity of CVGS' facilities that involved natural gas and which have either attracted public attention or have received significant news media coverage. Nonetheless, to ensure that CVGS does not violate

the Section 122.2 requirement of reporting any such incidents to the Commission going forward, we have modified Procedure #17 in the CVGS Operations and Maintenance Plan -- the Pipeline Specific Operations and Maintenance Plan (PSOM) -- to definitively state that requirement. The modified Procedure #17 (attached as Exhibit 1) includes language addressing the Section 122.2 requirement and containing instructions for contacting the Commission in Table 17.09-1 as highlighted on pages 38 and 39.

2. Title 49 Code of Federal Regulations (CFR) §§ 192.605(b)(1) and 192.739(a)(3)

CVGS has modified its O&M Plan Procedure #7.02 (attached as Exhibit 2, with changes to resolve this issue highlighted) to expand on its language regarding testing of relief devices to more clearly state that testing for relief devices will ensure that the devices are set to control or relieve within the pressure limits in Section 5.3.2. Exact procedures for each relief device are conducted according to manufacturer's guides and Section 5.3.2 has been clarified to specify where such guides are available. This modified Procedure #7.02 also clearly specifies the pressure limits in Sections 5.4.5 and 5.4.6.

3. Title 49 CFR § 192.605(b)(2)

- a) CVGS has modified its O&M Plan Procedure #6.05 (attached as Exhibit 3, with changes to resolve these issues highlighted) to clarify its procedure for checking critical bonds. The steps are documented in Section 5.4. Additionally, Section 7.3 of the procedure specifies that Form 6.05B or an equivalent form of record will be used to document the annual CP survey and bi-monthly inspection of critical bonds.
- b) Modifications to Procedure #6.05 also include procedure steps for monitoring pipeline locations that may be subject to stray currents such as at foreign pipeline crossings in accordance with §192.473. The steps are documented in Section 5.3.

Please note that CVGS pipelines currently are not subject to such stray currents and there currently are no critical bonds.

4. Title 49 CFR § 192.605(b)(5), (b)(6), and (b)(7)

CVGS has modified its PSOM, Procedure #17 in the CVGS Operations and Maintenance Plan (attached as Exhibit 1, with changes to resolve this issue highlighted) to clearly reference the site-specific procedures. This includes procedures for starting up and shutting down any part of its pipelines to assure operation within the MAOP limits (plus build-up allowed per 49 CFR Part 192), for isolating units and pipe sections and purging before returning to service, and for starting, operating and shutting down compressor units. References in Procedure #17 also show a secure web site location where the effective version of each of these site-specific procedures can be viewed.

- a) Site-specific procedure CVGS-022 is one of 21 site-specific procedures now referenced in Section 17.05 (page 17) documenting normal start-up and shut-down.

- b) Site-specific procedures for isolating units and pipe sections and purging before returning to service also are included in the 21 site-specific procedures currently referenced in Section 17.05.
- c) Site-specific procedures for starting, operating and shutting down compressor units also are included in the 21 site-specific procedures currently referenced in Section 17.05., specifically procedure CVGS 053 (Manual Start Stop 3612 Cat Engines) and CVGS 063 (Maintenance Blow Down and Unit Purging.)

5. Title 49 CFR § 192.555(e)

CVGS has modified its O&M Plan Procedure #12.01 (attached as Exhibit 4, with changes to resolve this issue highlighted) to clarify its procedure for pipeline uprating stating that the increase in pressure must be made in increments that are equal to 10 percent of the pressure before the uprating, or 25 percent of the total pressure increase, whichever produces the fewer number of increments. This requirement is stated in Section 5.1.2.

Please note that since the CVGS facility and pipelines entered into service in 2012, CVGS has not attempted to uprate the MAOP on any of its pipelines.

6. Title 49 CFR § 192.805(b)

CVGS submitted its original OQ plan to the Commission's Energy Division environmental area in February, 2012 as part of its request to enter into Commercial Operation under the requirements of the Mitigated Negative Declaration referenced by CVGS' Certificate from the Commission. This initial OQ plan was based on Compliance Services Incorporated (CSI) documentation and individuals qualified to perform covered tasks through CSI were deemed qualified to perform such tasks at CVGS. When CVGS decided to utilize the Veriforce OQ plan to qualify CVGS employees going forward in June, 2012, CVGS inadvertently excluded the fact that CVGS continued to accept the qualifications of contractor employees qualified under the original CSI-based plan. CVGS attempted to correct this omission through its OQ plan cover letter dated in May, 2013.

As a result of a covered task analysis involving AGL Resources and its affiliate Nicor Gas, CVGS also accepts the corrosion-related qualifications performed under the Nicor Gas OQ plan. This covered-task analysis had been completed at the time the Nicor Gas employee performed the corrosion-related tasks for CVGS in 2012. In addition, the Nicor Gas employee that performed those tasks is a certified NACE technician (Level 2, Certification # 6740). This certification would have made the employee qualified under the original CSI-based OQ plan. As a result, CVGS believes the Nicor Gas employee was qualified for the covered tasks he performed at CVGS. However, we recognize that the May, 2013 letter accepting CSI qualifications did not articulate the acceptance of the Nicor Gas OQ plan by CVGS which was an oversight. Going forward, the acceptance of the Nicor Gas OQ plan is being documented as follows:

The requirements for Qualification of Pipeline Personnel are found in 49CFR192 Subpart N and not required to be in the O&M plan required by 49CFR192.605. However, CVGS has decided to add Section 3.07 (attached as Exhibit 5) to the O&M Plan to specify the OQ program purpose,

requirements and responsibilities, as well as a list of OQ programs accepted by CVGS. This Section 3.07 replaces the May, 2013 OQ Plan cover memo.

Please note that all of the covered tasks discussed in this violation were performed by individuals that were properly qualified to perform those tasks. CVGS' error in both cases was the omission of the correct OQ plan acceptability references in its documentation.

7. Title 49 CFR § 192.631

CVGS has modified its Control Room Management (CRM) Manual to include its Internal Communications Procedures including key points to monitor and has added lessons learned from the August 2012 compressor discharge relief valve incident.

- a) The Internal Communications Procedures (attached as Exhibit 6) added to the CRM Manual specify in Section 4.1 that the key points to monitor are the 401 Meter Station, the Storage Well Pad and the Compressor Station.
- b) CVGS also has added into its CRM Manual lessons learned from the August 2012 incident in which a compressor discharge relief valve actuated. The lessons learned (attached as Exhibit 7) from the incident are included in Section 801 in the CRM Manual.

B 1. Use and recording of distinct identifiers for instruments used for O&M activities.

CVGS has added fields to its corrosion records for future readings to include an entry for the serial number of the portable reference electrode and the high-impedance multimeter used for testing as well as the dates the equipment was calibrated. An example (attached as Exhibit 8) shows where this information will be included on the form used to record corrosion readings for the Compressor Station

2. Annual Review of the Entire O&M Plan

As discussed with the GSRB audit team during the audit, CVGS is in the process of completing its annual review of the O&M Manual. This review already has included all Procedures in the O&M Manual including the PSOM in Procedure #17. Attached as Exhibit 9 are the record of 2013 revisions for sections of the O&M Plan other than Procedure #17 and the record of 2013 revisions for the PSOM.

3. Review of Routine O&M Records While Conducting Annual HCA Survey

Element #1 of the CVGS Integrity Management Plan (attached as Exhibit 10) contains the process CVGS follows for identifying HCAs. Section 1.4 calls for use of information from routine operation and maintenance activities as an option to the identified site survey. In the HCA survey for calendar year 2012 it would have been impracticable to use record review as an option because the HCA survey occurred at the start of full operations, prior to the performance of many routine O&M activities. In the HCA survey for calendar year 2013, Step 3 can be utilized, and CVGS has performed this Step. CVGS also has modified form 1-1D to clearly document that the

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record review listed in IMP Element 1 is included. The modified form as completed for 2013 is attached as Exhibit 11. Going forward review of routine O&M records will continue to be a part of the annual HCA identification process and will continue to be documented using form 1-1D or its equivalent.

In summary, CVGS first placed its facilities into operation in 2012 and CVGS continues to apply what it learns from its performance to improve its Procedures and documentation. CVGS appreciates the thorough review of its facilities and documentation by the GSRB audit team and looks forward to a constructive relationship with GSRB in accomplishing the top priority of maintaining safe and reliable operations. We believe that the actions we have taken to address these audit findings demonstrate that CVGS is responsive to safety concerns. I hope that the actions documented in this response are suitable to resolve the areas of violations and observations that were noted.

To the extent that the exceptions noted by GSRB are administrative in nature and do not immediately or significantly impact the safety of the public or the CVGS workforce, CVGS respectfully requests that GSRB consider CVGS' overall approach to safety, our level of cooperation, and our timely and thorough response in resolving these exceptions, as GSRB determines any follow-up actions pursuant to Commission Resolution ALJ-274.

Please contact me at 630-245-7836 if you have any questions about this response or require additional information.

Sincerely,



Timothy J. Hermann
Vice President
Storage and Peaking Operations

Exhibits attached

cc: John Boehme
Brian Hackney
Aimee Cauquiran, CPUC SED