



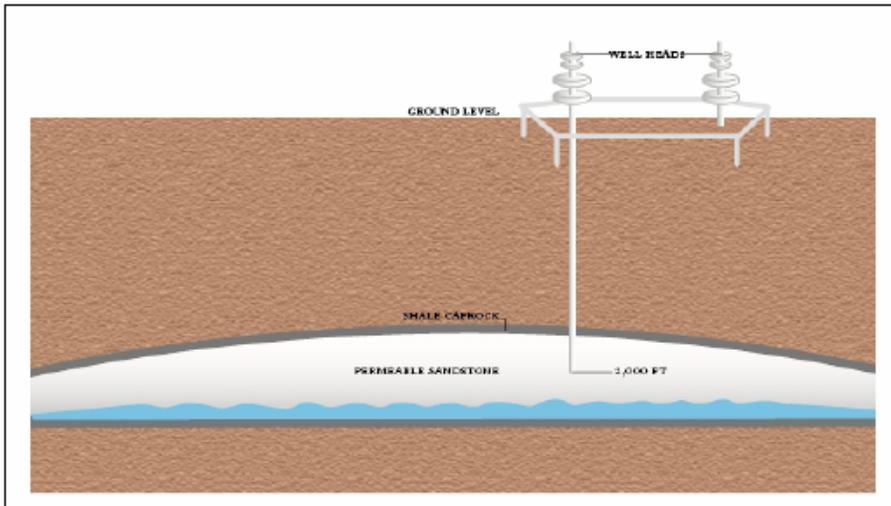
KIRBY HILLS

NATURAL GAS STORAGE FACILITY

PROJECT BACKGROUND

Lodi Gas Storage, LLC (LGS) has submitted an application to the California Public Utilities Commission (CPUC) to amend the Certificate of Public Convenience and Necessity (CPCN) to construct and operate Phase II of the Kirby Hills Natural Gas Storage Facility. The amended application requests authorization to develop, construct, and operate additional underground natural gas storage facilities to support the Kirby Hills Gas Storage Facility in Solano County, California.

These additional facilities were not identified in the original project because the nature and location of the Wagenet Natural Gas Reservoir had not been fully evaluated. Also, LGS did not anticipate the need for additional storage capacity, well pads, flow line, or well reworks.



How a Natural Gas Storage Facility Works

The existing storage facility, which began operation in November 2006, is referred to in this document as Kirby Hills Phase I. A Final Mitigated Negative Declaration for Phase I was adopted in D.06-03-012. The proposed project is referred to as

Kirby Hills Phase II. The facility would allow LGS to use a portion of the depleted Wagenet Reservoir as a storage facility for natural gas transported to the site by its customers. This gas field would be connected to the main PG&E pipeline system by an existing pipeline of approximately 6 miles. Natural gas would be stored in the reservoir, withdrawn on demand from LGS customers, and conveyed to the PG&E pipeline system for delivery to the customers. The proposed project includes injection/withdrawal wells, conversion of abandoned wells, a flow line, new compression/dehydration units, and an expanded PG&E interconnection.

General Project Location – The project site is located in a rural agricultural area in the Montezuma Hills of southeastern Solano County, California, immediately north of the Sacramento–San Joaquin River Delta. The site is approximately 6 miles west of Rio Vista and 16 miles southeast of Fairfield. The proposed project contains two major component locations, connected by an existing approximately 6-mile, east-west pipeline. The eastern project component is an expanded pipeline interconnection at the existing natural gas receiving/metering station site, located west of Bird’s Landing Road, one mile south of its intersection with State Route 12. The western project component is the natural gas storage/withdrawal site located in the Kirby Hills between Montezuma/Nurse Slough on the west and Shiloh Road on the east. The western portion of the project area is also located within the Suisun Marsh Secondary Management Area.



Project Location



APPLICATION REVIEW BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION

Following state requirements, LGS has submitted an application (No. A-07-05-009) to the CPUC for a CPCN to install additional facilities to support the Kirby Hills Gas Storage Facility. The CPUC is responsible for the review and approval of any natural gas storage facility in California. CPUC also regulates privately owned telecommunications, electric, water and certain transportation utilities in the state. In proposals such as this, CPUC has a two-part review process to evaluate economic and environmental impacts.

The CPUC conducts a legal proceeding before an administrative law judge to examine the economic and public utility issues, including impacts to utility ratepayers. At the same time, the CPUC conducts an environmental review consistent with the California Environmental Quality Act (CEQA) (see below). The ultimate result of the two reviews is a decision by the Commission whether to grant a CPCN for the project.

Environmental Review Process – Review and approval of the application must comply with CEQA, which requires consideration of the potential environmental impacts of the proposed project. The CPUC is now identifying the potential environmental impacts of the proposed project.

Key environmental issues that CPUC will review for this project include (but are not limited to) the following:

- **Public Health and Safety** – What are the public safety issues and potential hazards related to the facility?
- **Air Quality** – What would the impacts to air quality be during construction and operation?
- **Local Wildlife Habitat** – What sensitive habitats/species are found in the project area?
- **Cultural Resources** – What historic resources are located in the project area?

CPUC will also evaluate any potential impacts to:

- Surrounding Land Use
- Water Quality
- Noise
- Utilities and Service Systems
- Aesthetics
- Geology
- Population and Housing
- Transportation
- Recreation

Next Steps – CPUC prepared an Initial Study to determine the significance of environmental impacts. Based on this evaluation, CPUC has prepared the appropriate environmental report documenting the environmental review and findings. The Draft Subsequent Mitigated Negative Declaration/Initial Study was released August 24, 2007, and will undergo a 30-day public review period, ending September 24, 2007. Updated project information can be found on CPUC's website at www.cpuc.ca.gov. You can send comments and questions about the environmental review process to Junaid Rahman, CPUC Regulatory Analyst (*contact information listed to the right*).

Contact Information

Junaid Rahman, Regulatory Analyst
California Public Utilities Commission
505 Van Ness Avenue, Room 4A
San Francisco, CA 94102-3298
jnr@cpuc.ca.gov
phone: (415) 355-5492

Project information will be available on the project website:

www.cpuc.ca.gov/environment/info/aspen/kirbyhills/kirbyhills.htm

To learn more about the legal proceedings for the CPCN or to become a participant in that part of CPUC's review, please contact the CPUC Process Office at (415) 703-2021.