

PUBLIC UTILITIES COMMISSION

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September 28, 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 #11

Dear Mr. Kiefer:

On September 19, 2011, CVGS requested a variance from the California Public Utilities Commission (CPUC) to amend APM BIO-12, which includes seasonal restrictions as an avoidance and minimization measure for potential impacts to giant garter snake habitat. The requested amendment to APM BIO-12 includes extending the work period in giant garter snake habitat to November 1, 2011.

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 #11 to amend APM BIO-12 in order to allow construction in giant garter snake habitat to be extended to November 1st from the current restriction of October 1st is granted by CPUC based on the factors described below.

CVGS Variance Request. Excerpts from the CVGS Variance Request, received September 19, 2011 are presented below (indented):

This variance requests the CPUC to allow CVGS to modify their applicant proposed measure (APM) BIO-12 (Implement avoidance and minimization measures during construction in giant garter snake habitat). This APM states that CVGS will "time construction activities within habitat so that they occur between May 1 and October 1". CVGS submitted a formal request to the U.S. Army Corps of Engineers (Corps) to reinitiate consultation with the U.S. Fish and Wildlife Service to support and amendment to the Biological Opinion to allow construction to proceed up to November 1, 2011. Once the Biological Opinion and Individual Permit have been

amended to allow construction up to November 1, 2011, a copy will be provided via email to the CPUC.

The reason for this extension request is that construction of the pipeline portion of the project was delayed and restoration and cleanup of the pipeline work area is expected to extend into October. The construction activities that would occur during the October 1 to November 1 time period are associated with underground, buried natural gas pipeline system and the work includes final clean-up and restoration activities. The work area extends approximately 14 miles between the compressor station and the Glenn-Colusa Canal. This 14-mile pipeline work area is primarily fallow rice fields that will be laser-leveled and flooded by the landowners after pipeline construction is finished in the fall.

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, sensitive land uses/noise and other issue areas. A list of bulleted conditions is presented to define additional information and clarifications regarding mitigation requirements.

Agricultural Resources – The extension of the construction period from October 1st to November 1st will not result in any new impacts or increase in impact severity to Farmland of Statewide or Local Importance, as no new work areas are proposed beyond those evaluated in the Final IS/MND. No new areas or increase in impact severity for agricultural resources are anticipated.

Biological Resources – October 1st is generally the end of the period when the giant garter snake is considered to be active. Prior to October 1st giant garter snakes are expected to be mobile and better able to move to avoid danger. Construction activities that extend beyond October 1st may adversely affect the giant garter snake by limiting the ability to find and utilize suitable upland habitat for winter hibernation, by hindering its dispersal behavior, and by exposing giant garter snakes to increased risks of injury and mortality from predation, exposure, entombment, vehicular traffic, and construction equipment as it may be forced to disperse through and/or around the construction site in response to habitat changes and seasonal indicators. Thus, projects that extend beyond October 1st may result in additional effects to the giant garter snake during its inactive period.

The U.S. Fish and Wildlife Service (USFWS) has evaluated these potential effects and determined that the project schedule modification as proposed, which includes extending the work period to November 1st is not likely to jeopardize the continued existence of the giant garter snake. The project description of the February 2, 2011 Biological Opinion has been amended by the USFWS to reflect final cleanup and restoration work that will continue through November 1, 2011. No new impacts or increase in impact severity for biological resources are anticipated with the implementation of the conditions.

Cultural & Paleontological Resources – The extension of the construction period from October 1st to November 1st will not result in any new impacts or increase in impact severity to Cultural & Paleontological Resources, as no new work areas are proposed beyond those

evaluated in the Final IS/MND. No new areas or increase in impact severity for Cultural & Paleontological Resources are anticipated.

Hydrological Resources – Best Management Practices (BMPs) will be installed in accordance with the SWPPP Storm Water Pollution Prevention Plan (SWPPP). The extension of the construction period from October 1st to November 1st will not result in any new impacts or increase in impact severity to Hydrological Resources, as no new work areas are proposed beyond those evaluated in the Final IS/MND. No new areas or increase in impact severity for Hydrological Resources are anticipated.

Sensitive Land Uses/Noise. The area is rural in nature and supports large-scale agriculture. The extension of the construction period from October 1st to November 1st will not result in any new impacts or increase in impact severity to Sensitive Land Uses/Noise, as no new work areas are proposed beyond those evaluated in the Final IS/MND. No new areas or increase in impact severity for Sensitive Land Uses/Noise are anticipated.

Other Issue Areas. No 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. 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.
4. 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, Central Valley Gas Storage, LLC
N. McIntire and H. Salvage, Flour Inc.