

PUBLIC UTILITIES COMMISSION

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July 20, 2011

Mr. Jim Kiefer
Director Project Development
Central Valley Gas Storage, LLC
3333 Warrentville Road, Suite 130
Lisle, Illinois 60532

Subject: Central Valley Natural Gas Storage Project - (Application No. 09.08.008) – Variance Request #2

Dear Mr. Kiefer:

On July 1, 2011, Central Valley Natural Gas Storage (CVGS) requested a variance from the California Public Utilities Commission (CPUC) for two additional temporary work spaces located east of Glenn-Colusa Canal and south of Dirks Road.

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 temporary work spaces 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 #2 for modifications to include two additional temporary work spaces located east of Glenn-Colusa Canal and south of Dirks Road is granted by CPUC for the proposed activities based on the factors described below.

CVGS Variance Request. Excerpts from the CVGS Variance Request, received July 1, 2011 are presented below (indented):

Barrett #1: The reason for this proposed change is ongoing negotiations with Wild Goose. The need for temporary workspace for the HDD on top of the Wild Goose pipeline is eliminated by moving the HDD entry point and associated temporary workspace farther to the southwest along the original alignment. The net increase in temporary workspace as a result of the proposed change is 0.22 acre.

Barret #2: This additional work area includes a 100' x 200' (0.46 acre) area inside the eastern boundary of the Barrett Property. The area would be used as a staging area for pipe and potentially for equipment to aid in the installation of the pipeline

along Dirks Road north of the Etchepare property where we have a narrow workspace between Dirks Road and Mr Etchepare's orchard. There will be no excavation in this temporary workspace, except for minor site preparation.

The additional work spaces on Barrett property occur within a fallow rice field. This area was surveyed by a biologist during the week of June 13, 2011. The results of the biological survey were reported to the CPUC as part of the biological survey memo submitted for NTP 10b (pipeline ROW preparation).

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 July 7th by the CPUC Lead Environmental Monitor (EM).

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 temporary work spaces will result in additional 0.68 acres of temporary impacts to Prime Farmland. The Final Initial Study/Mitigated Negative Declaration (FMND) identified 50.6 acres of temporary impacts to Prime Farmland. The 0.68 increase in temporary impacts to Prime Farmland is minimal and the MMCRP includes Mitigation Measures AG-1 and AG-2 to ensure temporary impacts to agricultural land would be less than significant because the impacted land would be restored to preconstruction conditions, and landowners would be compensated for temporary crop loss due to project construction. No new impacts or increase in impact severity for agricultural resources are anticipated.

Biological Resources - According to biological reports and surveys completed for the proposed work spaces, the pipeline construction work area supports suitable habitat for a variety of species (giant garter snake, western pond turtle, nesting migratory birds and raptors, Swainson's hawk, burrowing owl, valley elderberry longhorn beetle, and special-status invertebrates). During the recent June surveys, suitable habitat for these species was confirmed; however, none of these special-status species were directly observed. To avoid potential impacts to these species, nesting birds and other wildlife species, 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 – Best Management Practices (BMPs) will be installed in accordance with the SWPPP Storm Water Pollution Prevention Plan (SWPPP).

Cultural & Paleontological Resources – The temporary work spaces will not require any excavations below grade and the area has been previously graded or utilized for rice fields. There are no paleontological concerns for the temporary work space as there will be no below grade disturbance. No impacts to cultural or paleontological resources are

Sensitive Land Uses/Noise. The area is rural in nature and supports large-scale agriculture. No concerns noted under this variance.

Other Issue Areas. No concerned noted under this variance.

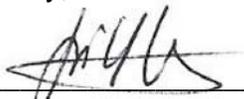
Conditions of Variance Approval.

The conditions presented below shall be met by CVGS and its contractors:

1. 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. In compliance with APM BIO-8, pre-construction surveys by a qualified biologist for nesting birds shall occur between January 15 and August 15. If active nests are found, follow protocols in APM BIO-8.
5. 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.
6. All complaints received by CVGS in regard to the staging area shall be logged and reported immediately to the CPUC. This includes complaints relevant to noise, etc. Complaints shall also be forwarded immediately to Colusa County. If complaints cannot be resolved, activities at the site may need to be modified, depending on the nature of the complaint.

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
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