



Central Valley Gas Storage LLC  
3333 Warrenville Road  
Suite 300  
Lisle, IL 60532

Phone 630 245-6150  
Fax 630 245-7835  
Internet www.cvgasstorage.com

April 24, 2015

Mr. Kenneth Bruno, Program Manager  
Gas Safety and Reliability Branch  
Safety and Enforcement Division (SED)  
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  
(GI-2015-01-CVS39-01A and GI-2015-01-CVS39-15) issued March 26, 2015

Dear Mr. Bruno:

Central Valley Gas Storage, LLC (CVGS) places the safety of the public and its workforce as its top priority and endeavors to operate and maintain its gas pipeline facilities at standards that meet or exceed the requirements of California Public Utilities Commission General Order (GO) 112-E. Our management team at CVGS and our AGL Resources corporate support staff value the SED inspection process as an opportunity to improve our practices and records with the benefit of your findings and recommendations and we appreciated being able to interact with your SED auditors during the January 2015 inspection of CVGS.

We have carefully reviewed the Summary of Inspection Findings and respond to each of the individual items as follows, including the enhancements to CVGS documentation described herein, and with photos showing improvements made by CVGS:

I. A. Title 49 Code of Federal Regulations (CFR) §192.731(c)

**SED discovered multiple instances of CVGS missing records of compressor station emergency shutdown (ESD) switch inspection and testing for the 2014 calendar year, which exceeds the interval allowed in 49 CFR §192.731(c). Table I details 14 of the 20 ESD switches on site missing the 2014 inspection and testing.**

CVGS did inspect the emergency shutdown (ESD) system and documented this test (and that the ESD system was working correctly) during calendar year 2014. However, as indicated, fourteen of the manual pushbutton switches that tie in to the ESD system were not included in the documentation of that test. CVGS recognizes that proper documentation is key to ensuring that all aspects of an inspection have been performed. To ensure that sufficient documentation is captured going forward, two new forms have been developed (Forms 10.01A and 10.01B) to identify and document that each remote control shutdown device has been tested, including the

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manual pushbutton switches, as well as where any changes may have occurred with regard to the ESD system. To implement the new forms and verify the effectiveness of the form design, CVGS successfully retested all of the ESD system pushbutton switches on January 29, 2015 following the conclusion of the SED auditors' G.O. 112-E inspection. CVGS also conducted a training session with its operations staff in which its O&M Procedure 10.01 was reviewed as modified to include Forms 10.01A and 10.01B. Circuit continuity was verified for all of the 19 pushbutton switches with no issues. Please find attached (as Exhibit 1) documentation of this testing on the new forms.

II. 1. Designation of Corrosion Test Stations

**During a review of CVGS corrosion records, SED discovered the pipe-to-soil test locations "SS DEHYDE TOWERS VALVE BV 1223" and "2000' W CL CLARK RD NS PRIVATE RD EDGE OF FIELD" were both designated point #63. SED recommends correcting the duplication to avoid confusion in the future.**

CVGS corrected the labeling of test stations when the duplication was discovered. The Dehydration Towers location continues to be designated as point #63 and the location west of Clark Road is now designated as point #39.

2. Documenting CP System Annual Review on form #6.10A

**During a review of CVGS corrosion records, SED discovered the CP System Annual Review was performed by multiple individuals on multiple reports. CVGS Procedure 6.10 requires form #6.10A or equivalent be used to document the review. Although the elements of the review outlined in CVGS Procedure 6.10 were satisfied from multiple documents, SED recommends documenting the CP System Annual Review on form #6.10A to ensure a consistent annual review.**

CVGS agrees that it should use form #6.10A to document its CP System Annual Review and will do this going forward. To facilitate consistency, CVGS completed a form #6.10A for 2014 (attached as Exhibit 2) using the information from the multiple documents that the Summary of Inspection Findings mentioned in its observation.

3. Test Lead Station Labelling

**During SED's field visit on January 27, 2015 to multiple pipe-to-soil read locations, SED observed multiple test lead stations had mismarked or faded labels. SED recommends correcting the errors with permanent type labels to avoid confusion in the future. CVGS explained new station labeling is already in progress.**

CVGS has installed labels to correct the mismarked and faded labels noted during the field portion of the inspection. Please see photos of the new labels as follows:

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Station #39



Station #41





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Station #42



Station #64



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4. Atmospheric Corrosion

During the field visit on January 28, 2015 to the well pad, SED observed localized atmospheric corrosion at the following locations:

- a. Ball Valve 1251
- b. 1-L Scrubber Drain Valve
- c. 2-U Scrubber Drain Valve
- d. Various flange bolt threads

SED recommends CVGS address the areas of localized atmospheric corrosion to prevent further corrosion.

CVGS has applied additional coating to address the areas noted at the inspection. Please see updated photos of the observed locations as follows:

Ball Valve 1251





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1-L Scrubber Drain Valve



2-U Scrubber Drain Valve





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Various flange bolt threads

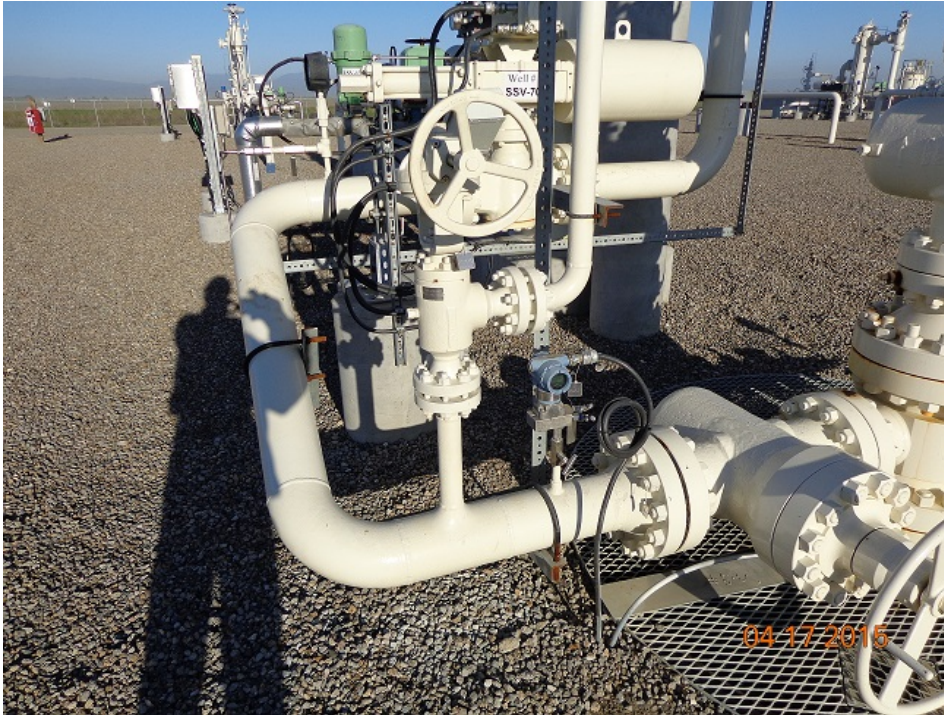


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In summary, CVGS continues to apply what it learns from its performance to improve its processes and documentation. CVGS appreciates the thorough review of its facilities and documentation by the SED audit team and looks forward to continuing our constructive relationship with SED 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 continues to be responsive to safety concerns. I trust that the actions documented in this response are suitable to resolve the areas of probable violations and observations that were noted.

To the extent that the exceptions noted by SED 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 exceptions, as SED determines any follow-up actions pursuant to Commission Resolution ALJ-274.

Please contact me at 630-388-2010 if you have any questions about this response or require additional information.

Sincerely,

/s/

Timothy J. Hermann  
Vice President  
Storage and Peaking Operations

Exhibits attached

cc: John Boehme; Robert Cornell; Willard Lam, CPUC SED