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February 13, 2012

Mr. Eric Chiang
California Public Utilities Commission
505 Van Ness Ave, 4th Floor
San Francisco, CA 94610

Subject: Central Valley Natural Gas Storage Project –Submittal to Support Request for Issuance of a Notice to Proceed for Commercial Operation of the Central Valley Gas Storage Project (NTP #14)

Dear Eric:

Central Valley Gas Storage, LLC (CVGS) is submitting several required items to support the CPUC's issuance of a notice to proceed (NTP #14) for commercial operation of the project. CVGS will be providing two submittals to support this NTP, including the items listed below and a second set of items (primarily the Safety and Emergency Response Plan) that will be sent to you in a separate submittal that we expect to deliver by the end of February 2012. The items required to support issuance of NTP #14 are based on a discussion with you on October 20, 2011 and guidance we received via email on October 28, 2011.

Based on the input we received, we drafted a MMCRP Compliance Section of our Plant Operations Manual (herein referred to as the Manual). The section defines detailed actions that are to occur and specifies timing. We intend to include this section in Part 1 of the Manual, along with our gas monitoring and groundwater monitoring plans. We also provided a general content layout for the Manual to show where this and other sections that we will submit for NTP-14 will be located.

The following items are provided with this first NTP #14 submittal:

Mitigation Measure AES-4. We have included this in the draft MMCRP Compliance Section of the Manual which describes the Mitigation Measure AES-4 requirement for observation and saltwater disposal well pad lighting and metering station lighting to be used only as needed when the sites are accessed for monitoring or servicing.

Applicant Proposed Measure AIR-4. A letter from Jim Kiefer is provided that describes the verification of implementation of best management practices consistent with the Natural Gas STAR Program. This letter also contains a table (Table 2) with equipment specifications that CVGS made to comply with APM AIR-4. This table was previously submitted on March 1, 2011 to the CPUC. In addition, CVGS will be enrolling in the EPA STAR program prior to our next NTP-14 submittal and will provide confirmation of this enrollment by the end of February.

Mitigation Measure AIR-2. CVGS attempted to enroll in PG&E’s ClimateSmart Program but we were informed that this program ended on December 31, 2011. According to Ms. Molly Hoyt (PG&E Program Manager of the ClimateSmart Program), PG&E is not able to enroll any customers any longer, and all customers who were previously enrolled have been de-enrolled (per the CPUC Decision which mandated the effective end date of the program is D. 10-10-025). A copy of Ms. Hoyt’s email from February 7, 2012 is provided with this submittal.

Mitigation Measure AIR-3. The draft MMCRP Compliance Section of the Manual describes the submittal requirements and carbon purchases under “Emissions Tracking and Offsets”.

Applicant Proposed Measure AIR-5. The draft MMCRP Compliance Section describes the requirement to purchase GHG offsets and report emissions and offsets to the CPUC under “Emissions Tracking and Offsets”.

Mitigation Measure HYDRO-1. The groundwater monitoring plan was previously submitted to the CPUC and approved. Section 5 (Groundwater Monitoring) of the draft MMCRP Compliance Section contains a description of this monitoring requirement.

Mitigation Measures HAZ-7, HAZ-8, and HAZ-9. The draft MMCRP Compliance Section of the Manual contains a description of the requirements described in these measures.

Mitigation Measure HAZ-10. Please see the February 8, 2012 email from Ms. Sheila Hatfield at DOGGR. She confirms in this email that has received all cement bond logs from CVGS that were acquired in 2011. The draft Manual also contains a requirement that any logs and/or documentation submitted to DOGGR is also submitted to CPUC concurrently.

As part of the second submittal, we will be providing our Memorandum of Understanding with the U.S. EPA (in compliance with Applicant Proposed Measure AIR-4) and the operation phase Safety and Emergency Response Plan items (in compliance with Applicant Proposed Measure HAZ-2). We also will submit material documenting CVGS’s Operator Qualification Plan and Damage Prevention Plan as discussed in the MND, and the results of our groundwater sampling that was conducted to-date (as required in Mitigation Measure HYDRO-1) . Please let me know if you have any questions or would like to discuss these submittals.

Regards,



Jim Kiefer
Director Project Development
Central Valley Gas Storage

CC:
David Hochart/Scott Eckardt, Dudek
John Boehme/Central Valley Gas Storage
Sue Bushnell Bergfalk, ICF International

