

Decision **DRAFT DECISION OF ALJ ECONOME** (Mailed 7/24/2003)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Lodi Gas Storage, L.L.C. for a Certificate of Public Convenience and Necessity for Construction and Operation of Gas Storage Facilities.

Application 98-11-012
(Filed November 5, 1998)

OPINION MODIFYING DECISION 00-05-048

I. Lodi Gas Storage, L.L.C's Request and Background

Lodi Gas Storage, L.L.C. (LGS) has informed the Commission that certain modifications to the project authorized in Decision (D.) 00-05-048 are necessary to achieve the originally envisioned and approved flow rates for the project. Specifically, by letter dated July 15, 2003, LGS submitted a Variance Request Form seeking authorization to drill two new wells on existing Well Site #4, the construction of which was authorized by D.00-05-048.

D.00-05-048 granted LGS a Certificate of Public Convenience and Necessity (CPCN) to develop, construct and operate an underground natural gas storage facility and ancillary pipeline and to provide firm and interruptible storage services at market-based rates. As part of the approved project, LGS was authorized to construct up to 11 gas injection/withdrawal wells. The decision also certified the Final Environmental Impact Report (FEIR) for the project, and conditioned the CPCN on the conditions and mitigations set forth in the FEIR, as well as additional conditions. In its July 15, 2003 letter, LGS states that it is

submitting its variance request pursuant to Ordering Paragraph 21 of D.00-05-048 which states that “if LGS makes any changes to the proposed route or other project components, LGS shall apply to the Executive Director or his designated staff for approval of a variance.”

II. Discussion

Variances are typically minor technical changes to an approved project that do not change the basic project description. Despite the fact that the proposed activity would occur on an existing well site, the drilling of two new wells is not a minor change to the approved project components (the authorization to construct up to 11 wells). Therefore, the proposed new wells do not qualify as a project variance. However, for the reasons described below, staff has concluded that the preparation of an Addendum to the FEIR is appropriate under CEQA Guidelines Section 15164. Additionally, while we would prefer that applicants submit requests for authorization of project modifications of this nature through the formal application process, here we will accept LGS’s July 15, 2003 letter submission as sufficient due to the stated time constraints for activity to commence to assist in meeting California’s gas storage needs for the winter peaking season.

CEQA Guideline Section 15164 allows the lead or a responsible agency to prepare an Addendum to the previously certified environmental document under certain conditions. These conditions essentially provide that the proposed changes to the project must not be substantial, must not create new environmental impacts or substantially increase the severity of previously identified significant effects, and must not require mitigations beyond those previously identified and adopted for the project.

In this instance, LGS states that the two wells would be drilled on existing Well Site #4 and that all mitigation measures employed during the initial construction effort will be used during the drilling and completion of the wells. LGS states that it has existing landowner agreements for all surface and sub-surface impacts and land rights for the parcel, and that the landowner has been informed of LGS' plans and has no opposition to the plans. LGS further states that it will obtain all necessary permits (all non-discretionary) from the California Department of Conservation, Division of Oil, Gas, and Geothermal Resources, in accordance with their regulations.

We believe it is reasonable to conclude that because the proposed wells will be constructed on an existing well pad to access an existing gas storage field, the drilling of these new wells should not create any new environmental impacts or substantially increase the severity of previously identified significant impacts. In addition, D.00-05-048 adopted mitigation measures relating to drilling the 11 previously authorized wells. These mitigation measures appear to be equally applicable to the drilling of the two new wells. Therefore, the proposed activity will not require mitigations beyond those previously identified and adopted for the project. Accordingly, we will consider and approve the Addendum to the FEIR prepared by the Commission's Energy Division regarding the CPCN authorized by D.00-05-048.

III. Comments on the Draft Decision

The draft decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311(g)(1) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Pursuant to Rule 77.7(f)(9), the time for comments was reduced to 20 days, and no reply comments were accepted. We reduced the public review and comment period so

that the proposed decision could be placed on the Commission's Agenda for August 21, 2003. Public necessity requires this approach because the public interest is served by addressing this issue in sufficient time for the activity authorized by today's decision to commence to assist in meeting California's gas storage needs for the winter peaking season.

IV. Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Janet A. Econome is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. LGS has requested modification to the project approved in D.00-05-048.
2. All necessary CEQA review of the proposed project changes are encompassed by the FEIR certified by D.00-05-048.
3. Commission Energy Division staff prepared an Addendum to the FEIR that concludes that the project changes described in Attachment A will not result in a significant impact to the environment and will not require new mitigation measures.

Conclusions of Law

1. The Addendum to the FEIR contained in Attachment A to this order should be approved.
2. D.00-05-048 should be modified to authorize construction of the project as modified by the Addendum.
3. Public necessity requires reducing the comment period to the draft decision because the public interest is served by addressing this issue in sufficient time for the activity authorized by today's decision to commence to assist in meeting California's gas storage needs for the winter peaking season.

4. Because it is necessary for the activity authorized by this decision to commence as soon as possible, this decision should be effective immediately.

O R D E R

IT IS ORDERED that:

1. Decision 00-05-048 is modified to allow LGS to construct two new wells as described in the Addendum to the Final Environmental Impact Report (FEIR).
2. LGS shall implement all applicable mitigation measures as certified in the FEIR for the project activities described in the Addendum which is attached to this decision as Attachment A.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

**CEQA Addendum
California Public Utilities Commission
Application (A.) 98-11-012
Lodi Gas Storage, LLC's Application for Certificate of Public Convenience and
Necessity For Construction and Operation of Gas Storage Facilities**

Summary

Pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15164, the California Public Utilities Commission (Commission) has prepared this Addendum to the Final Environmental Impact Report (FEIR) published for Lodi Gas Storage, LLC (LGS) and adopted in Decision (D.) 00-05-048.

As described below, the Applicant (LGS) has informed the Commission of the need to modify the completed project, which was subject to an FEIR previously issued and adopted by the Commission, by installing two new injection/withdrawal wells on Well Site #4. This new construction has been reviewed by Commission staff and found not to result in any new, previously undisclosed impacts, or previously disclosed impacts of greater severity. Therefore, the Commission finds that the preparation of an Addendum pursuant to CEQA Guidelines Section 15164 is appropriate to the LGS project, as modified.

This document presents an overview of the original LGS project, summarizes the proposed changes to the approved project, and, provides recommendations to be applied in the event that the Commission approves the Addendum.

Project Description

In November 1998, LGS filed an application with the Commission (A.98-11-012) seeking a certificate of public convenience and necessity (CPCN) to allow LGS to develop and operate an underground natural gas storage facility near Lodi in San Joaquin County, California. The CPCN also allowed LGS to construct and operate a 33-mile long pipeline extending into Sacramento County to connect with the Pacific Gas and Electric Company (PG&E) gas pipeline system. As part

of the project LGS was authorized to construct up to 11 gas injection/withdrawal wells.

Essentials of the Original Project Description:

- Use of an underground storage reservoir that covers an area of approximately 1,450 acres northeast of Lodi.
- LGS drilled eleven new gas injection/withdrawal wells into the two reservoirs to allow customers to inject or withdraw gas from the facility several times a day.
- Three observation wells also were drilled to monitor critical parameters of the storage reservoir.
- To facilitate transport of the gas, LGS installed a water separation and compressor facility as well as up to 33 miles of pipeline to connect the gas from LGS facility to PG&E's gas transmission facility.
- The gas pipeline traverses agricultural lands and major waterways.
- Gas pipelines are between 24 and 30 inches in diameter and were buried at least four (4) feet underground.

This project as described was the subject of a FEIR in February 2000. Subsequent to the Commission's approval in D.00-05-048 on May 18, 2000 to construct the project, it has been determined that a portion of the field contains gas, which cannot be accessed at the flow rates originally anticipated. Subsequently, on July 15, 2003, LGS has submitted a letter and written documentation requesting Commission approval to install two well injection and withdrawal wells at Well Site #4.

Specifics of the Proposed Modifications

- LGS will drill two additional gas injection/withdrawal wells, known as Loma D-4A and Loma M-4A, from the existing Well Site#4.
- The surface location of wells will be on the existing Well Site #4. The new wells will be deviated to bottom hole locations approximately 1100 ft. northeast of the surface location (Loma D-4A) and 1266 ft. northeast of the surface location (Loma M-4A).
- The proposed project will require drilling new sites, drilling the wells, installing wellheads, installing piping to hook the wellheads to the existing flow-lines and re-erecting the permanent fenced area.

Impacts of the Project Modifications

Likely environmental impacts from the proposed project modification will be similar to those analyzed in the Draft Environmental Impact Report (DEIR) published by Jones and Stokes in September 1999. It is believed that implementation of mitigation measures adopted in the FEIR and used during the construction of the existing project will prevent new, previously undisclosed impacts, or, exacerbate previously disclosed impacts.

Recommendations

With the implementation of existing mitigation measures, the proposed project modifications should have no significant environmental impact. See Table ES-1 (Summary of Environmental Impacts and Mitigation Measures) <ftp://ftp.cpuc.ca.gov/gopher-data/environ/lodi/draft-eir/execsum.doc>.PDF in the attached Executive Summary of the DEIR. As a result, no further analysis or documentation is required.

(END OF ATTACHMENT A)