

Decision 09-12-038 December 17, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Lodi Gas Storage, L.L.C. to
Amend its Certificate of Public Convenience
and Necessity for Construction and
Operation of Gas Storage Facilities (U912G).

Application 09-09-012
(Filed September 16, 2009)

**DECISION ADDRESSING APPLICATION OF
LODI GAS STORAGE, L.L.C. TO AMEND ITS CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY FOR CONSTRUCTION AND
OPERATION OF GAS STORAGE FACILITIES**

Summary

This decision (Decision) approves Application 09-09-012, Lodi Gas Storage, L.L.C.'s request to amend its Certificate of Public Convenience and Necessity to authorize the drilling of 15 new wells from existing well sites for efficient operations of the Lodi Gas Storage Facility (Lodi Facility). As a result of this Decision, the wells at the Lodi Facility will last longer before reconditioning is necessary, reducing operating costs and increasing the reliability of the operation. The Decision does not result in a change in the total capacity, working capacity, or the maximum daily injection/withdrawal capability previously authorized by Commission decisions.

1. Background

**1.1. The Certificate of Public Convenience
and Necessity**

Lodi Gas Storage, L.L.C. (LGS) is a Delaware limited liability company organized under the laws of the State of Delaware, qualified to do business in

California by the Secretary of State. LGS' principal place of business is One Greenway Plaza, Sixth Floor, Suite 600, Houston, Texas 77046.

Decision (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. The Lodi Gas Storage Facility (Lodi Facility) and associated separation, compression and dehydration facilities are located in San Joaquin County, approximately 5.4 miles northeast of Lodi. A pipeline extends approximately 33 miles from the Lodi Facility to an interconnection with the Pacific Gas and Electric Company (PG&E) Line 401.

D.00-05-048 authorized LGS to construct up to 11 gas injection and withdrawal wells, certified the Final Environmental Impact Report (FEIR) for the project, and conditioned the CPCN on the conditions and mitigations set forth in the FEIR, and other requirements.

D.03-08-048 modified D.00-05-048 to allow LGS to construct two new wells. In that instance, the Commission acted on LGS' letter to the Executive Director requesting a variance. However, rather than approving a variance, the Commission issued an addendum to the FEIR. The Commission also directed that in the future, LGS present such requests to the Commission through the application process.

D.04-05-046 again modified D.00-05-048, as modified by D.03-08-048, to change the total capacity of the operation from 18 billion cubic feet (Bcf) to 21 Bcf, authorize the drilling of two new wells from an existing well site to access that additional capacity, and authorize the drilling of two replacement wells on existing well sites to replace two existing wells that were no longer performing adequately.

LGS was separately authorized by D.06-03-012 to construct and operate the Kirby Hills Natural Gas Facility (Kirby Hills Facility) located in Solano County, California. D.08-02-035 amended the Kirby Hills Facility CPCN to authorize the construction and operation of Phase II of the Kirby Hills Facility.

1.2. The Application

Application 09-09-012 (Application) requests (1) amendment of the CPCN for the Lodi Facility to authorize the drilling of up to fifteen new injection and withdrawal wells on existing sites; (2) the Commission issue an addendum to the FEIR certified by the Commission, pursuant to § 15164 of the California Environmental Quality Act (CEQA) Guidelines; and (3) the Commission expedite approval of the Application to allow the commencement of drilling in March 2010.

LGS seeks authority to add up to 15 new wells to its Lodi Facility to improve efficiency of operations. The new wells are to be drilled from some or all of the five existing well sites, and on previously disturbed land immediately adjacent to the existing well sites. Approximately one acre of additional land surface will be required on a permanent basis in total for all sites. LGS does not request to increase the total capacity, working capacity, or the maximum daily injection/withdrawal capability previously authorized for the Lodi Facility.

LGS states that, during the past seven years of operation of the Lodi Facility, the withdrawal of gas at high velocities has degraded the well bores. This is because sand particulates are pulled into the screen and gravel pack at the bottom of the well bore (referred to as the completions), and the accumulation of these particulates requires that the wells be periodically recompleted by replacing the worn-out screen and gravel pack at the bottom of the well bore.

According to LGS, the wells will last longer without reconditioning if they are not subject to the velocities they are presently experiencing. To accomplish this without diminishing the capabilities of the Lodi Facility, the proposed new wells will be used to spread the same volumes of gas over more wells such that actual withdrawals and/or injections from each well would be reduced and the overall useful life of each well extended. According to LGS, this modification will reduce operating costs and increase the reliability of the operation.

LGS states that the proposed modifications are similar to the requests granted in D.03-08-048 and D.04-05-046, including preparing drilling sites, drilling the wells, installing wellheads, installing piping to connect the wellheads to existing pipelines, reerecting fencing around the permanent fenced area, and replacing landscaping.

Some of the new wells will be located on existing well sites. For the remainder, approximately one acre of already disturbed land adjacent to the well sites will be necessary, and temporary workspace will be needed at each well site except Well Site 6. The temporary workspace will be returned to agricultural use after completion of the new wells.

LGS requests that the Commission issue an addendum to the original FEIR certified in D.00-05-048. D.03-08-048 and D.04-05-046 each approved addenda to the FEIR certified by D.00-05-048 based on findings that the proposed wells authorized by those decisions would not result in any new environmental impacts. D.03-08-048 and D.04-05-046 required that all environmental mitigation measures and monitoring requirements contained in the FEIR certified by D.00-05-048, and other restrictions imposed by D.00-05-048, continue to apply.

LGS asserts that the modification proposed in the Application will not have a significant effect on the environment because the Lodi Facility will continue to be developed and operated as previously authorized, all

environmental mitigation measures contained in the certified FEIR, and all monitoring requirements and restrictions imposed in D.00-05-048, will continue to apply. LGS states that the new wells will be installed at existing well sites or with very limited expansions on previously disturbed land, and that the proposed new wells will not require any additional permits because LGS is currently operating and will continue to operate below the limits of its existing air quality permits.

1.3. Procedural Background

LGS filed the Application on September 16, 2009. Notice of the Application appeared in the Commission's September 23, 2009 Daily Calendar.

No protests or responses to the Application were filed.

2. Discussion

The Commission's Energy Division (Energy Division) has determined that, pursuant to CEQA Guideline § 15164, the preparation of an addendum to the LGS FEIR is appropriate. CEQA Guidelines § 15164 allows the lead agency to prepare an addendum to a previously certified environmental document under certain conditions. These conditions require that the proposed changes to the project must not be substantial, must not create new impacts or substantially increase that severity of previously identified impacts, and must not require mitigations beyond those previously identified and adopted by the project.

LGS' proposed physical modifications will not result in any new, previously undisclosed environmental impacts or an increase in the severity of previously disclosed impacts, and are within the scope of the project approved by the FEIR. The Lodi Facility will continue to operate as previously authorized by the Commission, and proposed activity will not require mitigations beyond those previously identified and adopted.

All mitigation measures implemented pursuant to D.00-05-048, as modified by D.03-08-048 and D.04-05-046, will be used during the drilling and completion of the proposed new wells. LGS is currently operating within the limits of its existing air quality permits and anticipates being able to continue to do so without the need to modify any of LGS' existing permits. Therefore, it is reasonable to conclude that the proposed amendment to the CPCN does not require mitigation measures beyond those previously identified and adopted for the project.

3. Waiver of Comment Period

No protests were filed to the Application and no hearing was held. Today's decision grants the relief requested in an uncontested matter. Accordingly, pursuant to Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

4. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Richard Smith is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. LGS requests an amendment to its CPCN approved in D.00-05-048 and modified in D.03-08-048 and D.04-05-046, and that the Commission issue an addendum to the FEIR certified by the Commission in D.00-05-048.
2. The proposed project does not result in a change in the total capacity, working capacity, or the maximum daily injection/withdrawal capability previously authorized by Commission decisions.
3. All necessary CEQA review of the proposed project changes is encompassed by the FEIR certified by D.00-05-048.

4. The Energy Division prepared an Addendum to the FEIR that concludes that the proposed project should have no significant environmental impact and will require no new mitigation measures.

Conclusions of Law

1. The Addendum to the FEIR contained in Attachment A to this decision should be approved.

2. The CPCN issued in D.00-05-048, as modified in D.03-08-048 and D.04-05-046, should be amended to authorize construction of the proposed project as set forth by this decision's Ordering Paragraphs and the Addendum to the FEIR.

3. 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 (D.) 00-05-048, as modified by D.03-08-048 and D.04-05-046, is modified to amend the Certificate of Public Convenience and Necessity of Lodi Gas Storage, L.L.C. to authorize Lodi Gas Storage, L.L.C. to drill up to 15 new injection and withdrawal wells on existing sites, as more fully described in the Addendum to the Final Environmental Impact Report attached as Attachment A.

2. Lodi Gas Storage, L.L.C. shall implement all applicable mitigation measures as certified in the Final Environmental Impact Report approved in Decision 00-05-048 for the project activities described in the Addendum.

3. Application 09-09-012 is closed.

This order is effective today.

Dated December 17, 2009, at San Francisco, California.

MICHAEL R. PEEVEY

President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

[Smith Attachment A](#)