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## Deep Impact

By Cosmo Garvin

**Avondale and Glen Elder are not where** the rich and powerful classes of Sacramento live. Earlier in the decade, this area, near the intersection of Fruitridge and Power Inn roads, was targeted by the federal "Weed and Seed" program. That program helps distraught communities to "weed" out blight and crime and to "seed" new community programs. But change has been slow.

When the nearby Sacramento Army Depot closed in the mid-1990s, it was bad news for the neighborhood. Likewise, when the mortgage crisis struck the region, it hit Avondale and Glen Elder harder than most Sacramento neighborhoods.

"Make no mistake. This is a poor community," said Constance Slider, vice chairwoman of the Avondale Glen Elder Neighborhood Association. There's a high percentage of retirees, who've lived in the neighborhood for decades, but also a high proportion of newcomers getting their start in the United States. Almost half the residents are Southeast Asian, a quarter are Latino and 20 percent are African-American.

"It's isolated. There aren't a lot of outlets for the teens and the tweens. The doctors and lawyers and even the mailmen don't live in this neighborhood like they did when my grandmother lived here."

All in all, the area could use some help. That's why Slider was intrigued when a group of investors came to AGENA with a proposition.

Those investors had formed the Sacramento Natural Gas Storage and wanted to pump 7 billion cubic feet of natural gas into the ground here, nearly a mile down under the mixed residential neighborhood, and then sell it to SMUD and other big natural-gas consumers.

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The company stands to make about \$15 million every year off the project. And SNGS approached Slider and AGENA offering to spread around the royalty payments and to invest money into the community.

"My first reaction was, 'It sounds good. If it's safe, we'd love to support it,'" said Slider. But as details of the plan emerged, that interest quickly turned to mistrust and conflict. Slider learned that the SNGS facility is the only facility of its kind in the state ever proposed to be built in an existing, dense, urban area. And a visit to a controversial natural-gas storage facility in Los Angeles convinced her and some of her neighbors that the project could not be made safe enough.

Earlier this year, the California Public Utilities Commission produced a draft environmental review of the project that seemed to confirm Slider's worst fears. The CPUC's consultants found there were "significant and unavoidable" impacts associated with the project, including risks of explosion, fire and contamination of area groundwater. SNGS says the environmental assessment is filled with errors. "We've committed to the mayor and to the community that this will be the safest well in the world," said SNGS president Don Russell.

Today, both sides have been joined by some of the region's most prominent lawyers and political consultants, in a drawn-out battle over geology and energy, and most of all, money. Both sides claim that they just want what's best for the community.

### Notes from the underground

Most of us have a basic grasp of property rights. You've got four property lines, more or less, and everything within is yours to do with as you please. But we rarely consider that a homeowner

has property rights that extend not just from one property line to the next, but extend up and down as well. In fact, as a homeowner, you have property rights that, as a rule, extend underneath your home, straight down to the center of the Earth.

Of course, there's little we can do with those subterranean property rights. Most of us are not miners, or mole people. But the underground property rights can be very useful to a company like SNGS.

It happens that parts of Avondale and Glen Elder and adjacent neighborhoods lie on top of what was once a naturally occurring reservoir of natural gas, hundreds of millions of years old.

The Florin Gas Field, as it came to be known, was tapped out by oil companies like Union Oil by the late 1980s. But the underlying geology makes it possible to recharge the gas field and use it as a giant holding tank. The reservoir isn't a great hollow cave, but a layer of porous sandstone with billions of tiny spaces for the gas molecules to hide in. Think of it as a 380-acre natural-gas sponge. On top of the sponge is a hard, 150-foot-thick layer of shale capstone that keeps the gas from escaping.

Above that capstone are a couple of thousand feet of shale and sand. Above that are the local groundwater aquifers. And finally, there are a few hundred feet of soil and clay near the surface that we're most familiar with. And on top of all that, about 750 homes and businesses, one city park and a lot of people.

The plan for SNGS is to drill a hole through all those layers, and through the capstone, into the sandstone sponge. A 7-inch pipe will be inserted through hole and into the sponge, the other end will be connected to a much larger natural-gas pipeline that brings natural gas into Sacramento from hundreds of miles away. That line is sometimes called "backbone" line, or the "400/401." The backbone line runs from Alberta, Canada, to Houston, and acts something like Interstate 5—a major trunk on the highway system of natural-gas transport. If SNGS gets the go-ahead, the backbone line will bring in the gas needed to fill the reservoir under Avondale and Glen Elder.

SNGS' main customer would be SMUD, which has committed to leasing 4 billion cubic feet of storage space in the facility if it gets built.

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SMUD is connected to the 400/401 now, through its own pipeline that runs several miles to the west, under the Sacramento River, to its interconnection with the backbone line in rural Yolo County.

SMUD gets about 40 percent of its power from burning natural gas, so if anything happens to the backbone line, "There goes 40 percent of Sacramento's electricity," said Russell.

The SNGS project would give SMUD a direct connection to a backup gas supply, in case there's a disruption on the 400/401. It may not sound like much, pumping gas into a big hole in the ground and holding it, but SNGS plans to make a little more than \$17 million in revenue the first year that the facility goes online.

The project needs approval from both the California Public Utilities Commission and the Sacramento City Council. To stop them, AGENA is joined by the prominent environmental law firm Remy Thomas Moose and Manley, as well as the legal-aid group Legal Services of Northern California. Both outfits are working pro bono on AGENA's behalf, though each may be awarded what are called "intervenor fees" by the PUC when the process is done.

And SNGS has hired some heavy hitters to push the project through. The Hoyt Company (now called HDR), one of Sacramento's pre-eminent public-relations outfits, and attorney Jack Diepenbrock are both on the payroll. So is the consulting firm Townsend Raimundo Besler & Usher—the same group that ran Kevin Johnson's campaign for mayor and helped PG&E beat back SMUD's proposed expansion into Yolo County.

SNGS will need all that political muscle to clear the obstacles in its way. Not the least of which is that the company needs to make deals with each and every property owner in the area in order to lease their underground property rights and store their gas.

### **Let's make a deal, or else**

In the SNGS office, just a small storefront on Fruitridge Road, there is a whiteboard. On that board in red marker is written the number "557."

That's how many homeowners have signed leases so far with the gas company. That leaves about 200 property owners who haven't signed—

including the city of Sacramento which owns a handful of parcels in the project area, including Danny Nunn Park. And it's getting harder and harder to make those deals.

The company is offering \$1,000 an acre per year, with a minimum annual payment of \$500, to property owners who agree now to lease their underground property rights. They've also offered signing bonuses of \$500 and given out free gas and grocery cards as incentives.

Things went well at first. SNGS quickly signed up about 75 percent of the property owners in the project area.

But opponents say that some of those who signed up did so out of fear. "They've told people, 'If you don't sign now, you won't get any compensation,'" said Slider.

Company officials deny making any such threats, but it is true that SNGS strongly suggests that residents get while the getting is good.

On one section of the SNGS Web site, the company warns: "We are working hard to secure the support of the property owners and obtain the signatures of all property owners on the Storage Rights Leases on a voluntary, willing lessor, willing lessee basis. If a signature is refused, our alternative will be to commence an action in eminent domain as to any such parcel."

In other words, the company will ask a judge for the right to go ahead with the project with or without the property owner's permission. Then that judge would decide how much to award the homeowners who refused to sign. SNGS officials say the company is offering more than market value for the leases, so the implication is that any judge might award far less than what SNGS is offering to the early birds.

It's ironic that SNGS would raise the threat of eminent domain. The company's consultant, Townsend Raimundo Besler & Usher, helped the utility PG&E to beat back an attempt by the cities of Davis, Woodland and West Sacramento to join SMUD—largely by convincing voters that the utility was abusing the eminent-domain process. In fact, Raimundo is working with PG&E on a ballot measure that would seriously hamper the ability of utilities like SMUD to employ the eminent-domain process (see "PG&E's power trip," SN&R Frontlines, July 23).

Opponents of the SNGS project call the threat of eminent domain "economic extortion." And just because residents are happy to take SNGS money, that might not mean real support for the project.

"Cash is king," said Sacramento City Councilman Kevin McCarty, who represents the area and who has been skeptical of the project. "If you come and wave a bunch of cash in somebody's face and say, 'Just take this and you'll never see me again,' well, that's pretty appealing to people. But there are still many questions about the safety of this project."

The project has vocal supporters, too. And some say the opposition has unfairly portrayed the neighborhood as a group of poor, easily duped people.

"That's a bunch of crap," said homeowner Rick Kahle. "These are homeowners who know what they're doing. There's no coercion or bribery."

Others say they don't know what all the fuss is about. One of them is Norma Clark, who bought her house here in 1961. "We lived here when it was here before," said Clark, meaning that natural gas that was in the ground before. In fact, there's still quite a lot of natural gas still in the ground there. "I don't think it's going to hurt anything to put it back." And Clark isn't particularly concerned that the project won't be safe. "I don't understand why they think it's so dangerous. A gas leak can happen anywhere, anytime."

Clark has gotten involved with a new neighborhood association, separate from AGENA, that is being funded by SNGS.

It's called Our Neighborhood Partnership, and if the project goes forward, SNGS is promising to fund the group to the tune of \$25,000 for \$40,000 every year for neighborhood improvements. Elizabeth Hughes, who works for SNGS consultant HDR says the organization will be like any other neighborhood association, but its boundaries will only include the project area.

SN&R asked if the new neighborhood association would take direction from SNGS or if it would be independent. For example, could its board vote to oppose the SNGS project?

"I suppose it could, but if there's no project, there would be no revenue for the partnership," said Hughes.

According to SNGS president Don Russell, the industry standard is to pay about 4 percent of gross revenue per year to lease property rights. So if there is a project, the company will make about \$15 million a year, depending on natural-gas prices, and the leases and other payments to the community come to about \$500,000 to \$750,000 a year.

But if the company can't sign up all 750 property owners, it might have to pursue eminent domain in court. And that could cost a lot more than the \$500 a head the company is offering now. And it's clear that at least some property owners are going to dig in their heels.

One of them is Levia Nelson, who lives in the same house he and his wife bought 48 years ago. Nelson said he's opposed to the project because "I lived through it with Union Oil, and it was a ripoff." When Union Oil was taking gas out of the Florin Gas Fields, Nelson said, "some people got \$10 here or there, some people got nothing."

And though SNGS is offering much more than the old oil companies did, Nelson said the \$500 a year isn't worth the risks and the possible hit to his property value. He added that he'd take his chances, if the project moves forward, with the eminent-domain judge. "No way I'll sign. No way."

### **Significant and unavoidable**

"We've been storing natural gas in depleted reservoirs for 100 years now," said Don Russell. He hasn't been in the business that long, though he and his partner, Jim Fossum, have decades of experience in the natural-gas storage industry.

According to studies he's seen, in 30 years, there's "never been a fatality, never been a serious injury, never been any damage to third-party property."

Sure, there have been fires and explosions at natural-gas storage facilities, but Russell claims these are fundamentally different in their geology. Storing natural gas in old oil fields, or salt caverns, said Russell, is much more dangerous.

Russell ticks off a list of cities on his fingers—Santa Barbara, St. Louis, Houston—that he says have similar projects. But opponents claim that the SNGS project is unique because it's being proposed for a such a dense, urban neighborhood.

Russell may not have been prepared for the obstacles he'd face with his project.

The draft environmental impact report for the project took nearly two years, much longer than anyone anticipated. When it finally did come out, it seemed to confirm AGENA's worst fears.

In the report, consultants for the PUC found "significant and unavoidable impacts," including the risk of contamination of area groundwater by chemicals mixed up in the natural gas, like benzene and toluene, both known carcinogens.

The draft EIR also noted risks of fires and explosions caused by gas leaks from pipes, and the possibility of methane gas migrating from the reservoir to the surface.

When methane comes to the surface undetected, it can cause all sorts of problems. Just ask Inspector Michael Ng, chief fire inspector for the city of Los Angeles, who has become known as an expert at dealing with methane leaks and fires and how to mitigate the dangers of underground natural gas.

In 1985, he responded to an incident at a Ross department store in the Fairfax area of L.A. Methane had built up in the store, and found a spark. When Ng arrived, "It looked like the whole street was on fire."

Ng met with AGENA members and City Councilman McCarty back in 2007, long before the completion of the draft EIR. According to the opponents, Ng warned against pumping natural gas under a dense urban neighborhood.

But on the phone with SN&R, Ng was more equivocal. "My first reaction was, I wouldn't do it. But you can engineer safety measures into it."

In the Playa del Rey community in L.A., which was built atop a natural-gas storage facility, some homes have elaborate and expensive sensors to monitor for natural-gas leaks and systems to alert the local fire department.

Here in Sacramento, SNGS has offered to pay the Sacramento Fire Department for special training and equipment that might be needed to deal with any accident. But there's been no discussion of the kind of elaborate monitoring system that Inspector Ng described.

The draft EIR for the SNGS project concluded that "The environmentally superior alternative is the 'no project' alternative," meaning the easiest way to avoid any risk is to forget the project. Of course, the report acknowledges that having no project carries its own risks.

"In the event of a disruption of the PG&E natural gas pipelines 400/401, SMUD may be required to implement cutback's on non-essential energy use and may run out of natural gas at some locations, thereby potentially affecting energy supply in the Sacramento metropolitan area."

The consultant decided that the next best option, environmentally speaking, would be to develop a similar reservoir in a rural area near the Delta town of Locke. According to the consultants, "Snodgrass Slough Gas Field alternative would rank as the environmentally superior alternative, as it would provide a natural gas storage field outside of an urban area."

When Russell read the draft EIR, "I was shocked." He said that the EIR contains several flawed assumptions. There's the assumption that the project is going to include a second connection to the 400/401, something that was dropped from the proposal a year ago. SNGS also complained that the EIR took into account pipe pressures much higher than what the company intends. But most importantly, Russell said the environmental assessment misinterprets the geology of the area. For gas migration to occur, there would have to be major cracks and fissures in that thick slab of capstone. "There is just no evidence whatsoever that is the case," said Russell. "They're saying, 'You haven't tested every square inch of this thing, so it can't be ruled out that this would never occur.'"

SNGS concedes that the draft EIR is a setback. The next report, which could come out any day, will have to arrive at some dramatically different conclusions for the project to be deemed safe. Even then, the bell has been rung, SNGS chairman Fossum said. "The opponents will just say, 'Oh, these quadrillionaire gas men just bought somebody off to get a better EIR.'"

## **Probability is low, risk is high**

SMUD's public position has been passive support of the project. About a year ago, the SMUD board of directors voted unanimously to commit SMUD to be the facility's No. 1 customer—if and only if it passes muster with the CPUC and the city.

"If it's safe, it would be irresponsible for us not to exercise our option," said new SMUD board member Nancy Bui. She believes that SMUD needs additional storage capacity, but was concerned with what she saw in the environmental impact report.

"Right now, it's not acceptable. I'm really looking toward the next EIR. But there's no way I could support a project that could potentially hurt people."

Other SMUD board members that SN&R spoke to took a similar "if they build it, we will come" position.

"If the PUC says it's safe, we have to assume its safe," said Rob Kerth, another new board member.

Board members acknowledge that they are being lobbied heavily by both sides. "You've got some of the brightest attorneys in town, and they're going at it hammer and tongs," remarked Kerth.

And while that fight has focused mostly on the potential dangers of the project, there's been less attention to the supposed need for the project.

According to SMUD spokeswoman Dace Udris, the SNGS project would have "no impact on rates charged to SMUD customers." Meaning it won't cost us money, but it won't save us money.

Next, opponents argue that SMUD has access to all the natural-gas storage it could need, it's just a bit farther away. There's the Wild Goose facility up near the Sutter Buttes, or there's Lodi Gas Storage in Lodi.

Alternatively, SMUD could leave things more or less as they are, and build an extra pipe connecting SMUD to PG&E's natural-gas line, adding some redundancy and additional safety to the system.

Udris said that SMUD has yet to do a detailed financial analysis of these options. Like the SNGS

proposal, all of these options provide an insurance policy against something that's never happened, and probably won't happen.

According Udris, "To date, there have been no interruptions" in natural-gas service to SMUD. "However, we have had one close call, and there have been concerns over restrictions at times on the PG&E pipeline."

As for future disruptions, "The probability is low, but the risk would be high," Udris said. Meaning it's not likely to happen, but if it does happen, it would be very bad.

Of course, the same might be said of the risks of an accident with the SNGS facility. "It's kind of like living next to a nuclear facility," said Colin Bailey, an attorney with Legal Services of Northern California. "The likelihood of something happening is fairly small. But if something does happen, you can kiss it goodbye."

It'll be up to the CPUC and, after that, the Sacramento City Council to weigh these worst-case scenarios against each other and decide which risk is worth taking. Both decisions are still believed to be months away.

In October, the CPUC is expected to hold a second public hearing on the project before making its decision on whether to grant SNGS a "Certificate of Public Convenience and Necessity" for the project. The second hearing is unusual, but it was granted after another department of the PUC, called the Consumer Protection and Safety Division, complained that the gas company misled residents about the project. Specially, the CPSD said the gas company exaggerated the threat of eminent domain and that it tried to discourage people from attending an earlier PUC hearing by holding its meeting at the same time.

Even if the project goes forward and is deemed safe by the PUC and the city of Sacramento, then is it safe to say that SNGS will be good for Avondale and Glen Elder? The last gas company to profit off the Florin Gas Fields didn't do the neighborhood much good. And Slider thinks that the project will further depress property values. Who wants to buy a house on top of a natural-gas well, she asks?

"This is a disproportionate burden on this community. To take a community that has been blighted already and to further cripple it with a

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project that is dangerous, or even perceived to be dangerous—that's not fair."

"If you went into Land Park or Curtis Park with this deal, offering people \$500, they'd slam the door in your face."

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