



CITY OF SACRAMENTO
Development Services Department

Natural Gas Underground Storage Project

PUC Proceeding A0704013; City Project No. P07-111
California State Clearinghouse No. 2007112089

FREQUENTLY ASKED QUESTIONS (FAQ)

The City of Sacramento is considering the application of Sacramento Natural Gas Storage LLC (SNGS) to operate an underground natural gas reservoir in the Florin Gas Field in south Sacramento. SNGS would need a special permit for the operation, and the City has advised SNGS that a franchise agreement will also be required.

The project has generated questions that will be addressed by staff in various reports, including staff reports and the environmental documents. This document is intended to set forth some of the questions and staff responses that are often asked about the project.

If you wish to discuss the project or ask questions that are not addressed here, please contact any of the following staff:

City Staff

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PROJECT APPLICATION AND DESCRIPTION

Q. What is the Sacramento Natural Gas Storage Project?

The proposed project would use a natural gas reservoir (Florin Gas Field) located within the City of Sacramento and unincorporated area of the County of Sacramento to store up to 7.5 billion cubic feet (bcf) of natural gas. The proposed project includes the existing underground natural gas storage reservoir, a wellhead site, a compressor station, a buried 16-inch interconnection pipeline between the wellhead and compressor site, and a buried 16-inch interconnection pipeline between the compressor site and Sacramento Municipal Utilities District (SMUD) Line 700.

The proposed project would store up to 7.5 bcf of natural gas in the Florin Gas Field reservoir, which is situated approximately 3,800 feet below the ground surface. Natural gas was previously extracted from the Florin Gas Field by Proctor and Gamble, Vendada National, TXO Production Corporation, and Union Oil Company until 1987 when production stopped.

The Florin Gas Field is centered at the corner of Power Inn Road and 53rd Avenue in the City of Sacramento. About three-fourths of the field is in the City of Sacramento and the remainder in Sacramento County. The wellhead site, compressor station, and interconnecting pipelines would be located within the City of Sacramento. The wellhead site would be located at the northeast corner of the intersection of Junipero Street and Power Inn Road; the compressor station would be located north of the wellhead site on the historic Sacramento Army Depot, which is now referred to as Depot Park. The uses proposed are consistent with existing zoning designations.

The project requires discretionary approvals from the California Public Utilities Commission (CPUC) and the City of Sacramento. A Draft Environmental Impact Report (Draft EIR) has been prepared for the project. See below for information regarding review of the Draft EIR. The Draft EIR includes maps of the project area.

Q. Who is the applicant?

The applicant is Sacramento Natural Gas Storage LLC (SNGS) LLC. The individual principals of the Sacramento Natural Gas Storage, LLC are Wells Fargo Central Pacific Holdings, Inc., Westport Capital Funding Sacramento LLC, Iron Gate Investments VIII, LLC, and California Natural Gas Storage, LLC. The operating officers are Donald Russell, President and Jim Fossum, Chairman.

Mr. Russell's contact information is:

Sacramento Natural Gas Storage LLC
8031 Fruitridge Road, Suite B
Sacramento, CA 95820
(916) 388-2088

Q. What are the gas field boundaries?

The underground storage portion of the facility is located roughly 3,800 feet below approximately 700 homes and 40 industrial properties. The applicant has identified the

underground reservoir as being within the following boundaries: Elder Creek Road to the north, Florin Road to the south, 75th Street to the west, and Union Pacific Railroad to the east. Maps of the area can be found in the Draft EIR. The exact location and extent of the reservoir will be determined by the CPUC.

Q. Is this a new technology or technique? Do other underground natural gas reservoirs exist? Where can I get information regarding underground natural gas storage?

Underground natural gas storage occurs elsewhere in the United States and throughout the world. Three main types of underground storage facilities exist: depleted oil and gas fields; aquifers; and salt caverns. The facility proposed in this project would use the Florin natural gas field for storage.

There are many sources of information regarding underground natural gas reservoirs. One source is the Energy Information Administration (EIA), which is part of the United States Department of Energy. The EIA provides policy-neutral data, forecasts, and analyses to promote sound policy making, efficient markets, and public understanding regarding energy and its interaction with the economy and the environment. Created by the Congress in 1977, EIA is the statistical agency of the U.S. Department of Energy. The EIA identifies itself as "...the Nation's premier source of unbiased energy data, analysis and forecasting. By law, EIA's products are prepared independently of Administration policy considerations. EIA neither formulates nor advocates any policy conclusions." (EIA website is located at www.eia.doe.gov)

EIA provides a wide range of information and data products covering energy production, stocks, demand, imports, exports, and prices; and prepares analyses and special reports on topics of current interest. These products are derived from energy data that is collected by EIA staff. The EIA sends its statistical surveys to energy producers, users, transporters, and certain other businesses. Companies and households report directly to the EIA. The EIA also makes use of data from other sources, such as trade associations and other government agencies.

The EIA has prepared summaries of natural gas storage facilities in the United States. In its current summary, the EIA estimates that as of 2007 the following facilities existed in the United States:

<u>Type of Storage Facility</u>	<u>Number of Facilities</u>	<u>Capacity</u>
Salt Cavern	31	253,410 million cubic feet
Aquifers	44	1,347,516 million cubic feet
Depleted Fields	326	6,801,291 million cubic feet

The EIA identified 12 facilities in California, all in depleted fields, with a storage capacity of 487,711 million cubic feet. (EIA website, Underground Natural Gas Storage Capacity, link is http://tonto.eia.doe.gov/dnav/ng/ng_stor_cap_dc_u_nus_a.htm) The EIA maintains a website that includes various reports that have been prepared regarding underground natural gas storage. See http://tonto.eia.doe.gov/dnav/ng/ng_pub_analysis_stor.asp.

The EIA issued a report in October 2006 that described the status of the underground natural gas storage sector in the United States and changes in the industry from 1998 to 2005. The report is available at http://www.eia.doe.gov/pub/oil_gas/natural_gas/feature_articles/2006/ngstorage/ngstorage.pdf.

In a 2007-2008 report, the British Geological Survey, Health and Safety Executive, published a report regarding an appraisal of underground gas storage technologies and incidents, and estimated that there were approximately 630 underground storage facilities worldwide. The report is available at <http://www.hse.gov.uk/research/rrhtm/rr605.htm>.

The EIA maintains a website that includes various reports that have been prepared regarding underground natural gas storage. See http://tonto.eia.doe.gov/dnav/ng/ng_pub_analysis_stor.asp.

Q. Where can I get information regarding the project?

An environmental impact report (EIR) has been prepared for the project. The Draft EIR is available at several branches of the Sacramento Library, at the offices of the Development Services Department at 300 Richards Boulevard, Sacramento and online at the City's website (see below for link). The Draft EIR discusses the project in detail.

You may also get information about the project from the following websites:

City of Sacramento

The project application is being processed in the Development Services Department. The website for the Development Services Department can be accessed via the City's website (www.cityofsacramento.org), and then selecting the Development Services Department. Click on the link shown on the left-hand side of the page to environmental impact reports, and then look for the "Sacramento Natural Gas Storage Project." The link is: <http://www.cityofsacramento.org/dsd/planning/environmental-review/eirs/>

California Public Utilities Commission (CPUC)

The CPUC website provides general information regarding the agency and its activities. See <http://www.cpuc.ca.gov/>

The CPUC has established a website that provides information regarding the agency's environmental review of the project pursuant to the California Environmental Quality Act (CEQA). See: http://www.cpuc.ca.gov/environment/info/dudek/sngs/SNGS_Home.htm

Q. Are there any similar projects in our area?

The three closest underground natural gas storage reservoirs are in Kirby Hills (Fairfield), Lodi and Butte County. Information regarding these fields is most readily available on the California Public Utility Commission web page, with the following links:

Lodi Gas Storage Project:

<http://www.cpuc.ca.gov/Environment/info/lo-di-gas.htm>

Kirby Hills (approximately 8 miles south east of Fairfield)
<http://www.cpuc.ca.gov/Environment/info/aspen/kirbyhills/kirbyhills.htm>

Wild Goose (Butte County)
http://www.cpuc.ca.gov/Environment/info/mha/wild_goose/index.html

GOVERNMENT REVIEW AND APPROVALS

Q. What government agencies have jurisdiction over the project? What permits will be required for the project?

California Public Utilities Commission and Division of Oil, Gas and Geothermal Energy

The California Public Utilities Commission (CPUC) has adopted rules regarding the design, construction, testing, operation and maintenance of gas pipelines. See General Order No. 112-E. Link:

http://162.15.7.24/PUBLISHED/GENERAL_ORDER/87632.htm

The rules adopted by the CPUC incorporate the Federal Pipeline Safety Regulations as set forth in Title 49 of the Code of Federal Regulations (49 CFR) Parts 190, 191, 192, 193 and 199, which also govern these aspects of gas pipelines. The CPUC rules supplement the federal rules.

The CPUC regulates the rates and services of the California gas utilities for their in-state gas transmission, distribution, storage, and procurement services. If the CPUC approves the applicant's request for a Certificate of Public Convenience and Necessity, the applicant would become an "investor-owned utility."

The applicant has applied for a **Certificate of Public Convenience and Necessity (CPCN)**, which would be issued by the California Public Utilities Commission (CPUC).

For more information about CPUC or the agency's role in the project, please contact Michael Rosauer at (415) 703-2579 or rosauer@cpuc.ca.gov.

Natural gas pipelines within the administrative boundaries of oil and gas fields fall within the jurisdiction of both the CPUC and the Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR) (AB 3261).

DOGGR oversees the drilling, operation, maintenance, plugging and abandonment of oil, natural gas, and geothermal wells. The regulatory program emphasizes the wise development of oil, natural gas, and geothermal resources in California through sound engineering practices that protect the environment, prevent pollution, and ensure public safety.

Below is a link to DOGGR's website page regarding injection wells. Although this page was developed for water injection wells, most of the information is applicable to gas injection/withdraw wells:

http://www.conservation.ca.gov/dog/general_information/Pages/class_injection_wells.aspx.

For more information about DOGGR or the agency's role in the project, please contact Tim Kustic, District Deputy Director, at (916) 322-1110 or

Tim.Kustic@conservation.ca.gov.

Permits relating to conversion of the Florin field to storage and individual permits for wells would be required from the Division of Oil, Gas and Geothermal Energy (DOGGR).

United States Department of Transportation

The United States Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA) is the federal pipeline safety authority. The federal regulations adopted by the PHMSA may be found online at

http://www.access.gpo.gov/nara/cfr/waisidx_08/49cfrv3_08.html

City of Sacramento

Project construction and operation would require a Special Permit from the City of Sacramento. The request for the Special Permit would be heard by the City Planning Commission. In addition, the City has advised the applicant that it will require the approval of a franchise agreement as part of the project. The franchise relates to use of the City's rights-of-way and general benefits of doing business within the City limits. The franchise agreement would require review and approval by the City Council.

Other Agencies

The project could require various permits from other agencies, such as the California Regional Water Quality Control Board (RWQCB), Army Corps of Engineers and California Department of Fish and Game (CDFG).

Please review the Draft EIR for more information.

Q. What issues are considered by the City in reviewing a Special Permit request?

A Special Permit is governed by City Code Section 17.212.010, which requires the following findings for approval:

- (a) the Special Permit is consistent with sound principles of land use;
- (b) the use permitted by the Special Permit would not be injurious to the public health, safety or welfare; and
- (c) the use must be consistent with the objectives of the City's general plan.

A staff report will be prepared when the project is scheduled for hearing. The staff report will describe the project and discuss the various permits required, and the relevant issues, including the applicable general plan policies.

Q. Will public hearings be held on the project?

The CPUC has held hearings regarding the applicant's request for a Certificate of Public Convenience and Necessity. The CPUC will also hold public hearings in the Sacramento area regarding the Certificate of Public Convenience and Necessity and to receive comments on the Draft Environmental Impact Report.

If the CPUC approves the applicant's request, the City would schedule the project for a public hearing to consider the applicant's request for a special permit at the City Planning Commission approximately two months later.

A public hearing would also be held by the City Council to determine whether a franchise agreement should be approved, and whether the City should enter into a lease agreement for natural gas storage.

The agendas for the Planning Commission and City Council are posted at www.cityofsacramento.org.

ENVIRONMENTAL REVIEW
(See also Risks, Hazards and Emergency Response)

Q. Who will review the possible environmental impacts?

The proposed natural gas reservoir is a "project" as defined by the California Environmental Quality Act (CEQA). Because the CPUC will take the first action on the project, it is serving as the "Lead Agency" under CEQA. The CPUC, as Lead Agency, has contracted with a consulting firm to prepare an environmental impact report (EIR) for the project.

The CPUC and the City will review the project's environmental impacts as set forth in the EIR. The City will review and comment on the EIR prepared by the CPUC as a Responsible Agency. CEQA includes provisions that set forth the responsibilities of a Responsible Agency, and the circumstances under which it must use the environmental document prepared by the Lead Agency.

The EIR will be circulated for a period of 45 days during which other governmental agencies and the public may submit comments. The dates of public review, and the address to which written comments should be sent, is set forth on the "Notice of Availability" or NOA. The NOA will be posted on the City of Sacramento website along with the EIR.

The document circulated for public comment is called the "Draft EIR." The CPUC as Lead Agency is required to respond in writing to all written comments. The document that includes these responses, and any changes that are made in the Draft EIR, is called the "Final EIR."

The CPUC intends to hold a public hearing on the Draft EIR. The CPUC web site for the project should be consulted for the date of such hearing.

If the EIR identifies significant impacts on the physical environment that could occur because of the project, it will identify mitigation measures that could avoid, minimize or compensate for such impacts. These mitigation measures would then be included in a "Mitigation Monitoring Plan" or MMP that identifies responsibility for implementing each mitigation measure and monitoring for compliance with the requirements of mitigation identified in the EIR.

The City is a Responsible Agency under CEQA because it will also consider approval of entitlements for the project. The CEQA Guidelines establish regulations that determine when the City must use the environmental document prepared by the CPUC for the project.

Q. How can I comment on the EIR?

Written comments may be submitted to the CPUC during the public comment period. The comment period is identified in the Notice of Availability. The CPUC will also hold a public hearing to receive comments on the Draft EIR.

The CPUC has established a website that provides information regarding the agency's environmental review of the project pursuant to the California Environmental Quality Act (CEQA). See: http://www.cpuc.ca.gov/environment/info/dudek/sngs/SNGS_Home.htm

RISKS, HAZARDS AND EMERGENCY RESPONSE
(See also Environmental Review)

Q. What are the health impacts of the project?

Concerns have been raised about several aspects of the proposed project. One of the primary concerns is whether the project would enable natural gas to migrate to the surface where it could collect and result in an explosion. Other concerns relate to hazards that could result from transmission of gas and exposure of facilities to vandalism or terrorism. While natural gas is commonly used in businesses and homes, it can present health risks under certain circumstances. Testimony has been presented in the CPUC proceeding that relates to these and other health and safety concerns.

The Department of Transportation provides statistics regarding pipeline safety. See: <http://primis.phmsa.dot.gov/comm/reports/safety/PSI.html>

Q. What safety and emergency plans have been prepared for the project?

The City of Sacramento Fire Department has major responsibilities relating to emergencies. A good place to start is with the Frequently Asked Questions on the Fire Department website: <http://www.sacfire.org/indexSub.cfm?page=842996>

The City's Office of Emergency Management provides for disaster preparations, response, recovery and mitigation activities to ensure that the needs of all the citizens of Sacramento are met in the event of a local emergency or disaster. The Office coordinates the interdepartmental preparedness, planning, training and recovery

activities of all City departments. It coordinates with other municipalities in the region as well as state and federal agencies, community based organization and the private sector. Along with the County, it operates a joint Emergency Operations Center that brings together all the public and private sector resources involved with response and recovery operations during and after an emergency or disaster. The City's Emergency Operations Plan may be accessed at the following site:

http://dev.cityofsacramento.org/eoc/documents/Sacramento_EOP.pdf

Additional information regarding emergency planning by the Office of Emergency Management and other plans that have been prepared, please visit the following site: <http://www.sacfire.org/indexSub.cfm?page=308125>

An Emergency Response Plan is required in accordance with Department of Transportation gas pipeline regulations in 49 CFR 192.615. You may view an example of such a plan prepared by Colorado Springs Utilities plan prepared pursuant to the same regulations at the following site:

<http://www.csu.org/residential/safety/page14678.html>

The City of Sacramento has established the Office of Emergency Services. The City's emergency operations plan may be accessed online at:

http://dev.cityofsacramento.org/eoc/documents/Sacramento_EOP.pdf

The City Fire Department would be responsible as a first responder in the event of an accident or emergency. The Fire Department has contracted with an independent consultant to prepare an emergency response plan that specifically addresses the risks presented by the proposed project.

Q. During a major incident, how do I find out if there are any potential threats I should be aware of?

The Sacramento Fire Department has established close working relations with the local media. Information to media sources is provided about an incident as it unfolds.

The department also works under the guidelines of the Federal Communications Commission and other federal regulating agencies in regard to mass public notifications. An emergency public message could be delivered through the Emergency Alerting System sending specific information or direction through radio stations and televisions.

The Sacramento Fire Department's web-site (www.sacfire.org) is also a great location to find specific and timely information on large incidents that the department has responded to, or is currently working on in the Sacramento area.

Q. Where can I go to get training to be more prepared in the event of a disaster?

The Sacramento Fire Department is a sponsor of the C.E.R.T. (Community Emergency Response Team) program which is part of the Citizen Corps program. CERT training is provided to the public at no cost. SACRAMENTO CERT is a group of community members, residing in Sacramento who have spent many hours training with the Sacramento Fire Department to respond to an emergency in their neighborhood, workplace or wherever the need may arise. The funding for the training is through grants that the Fire Department receives from the Department of Homeland Security.

For more information on being prepared, please visit these websites:

<http://www.sacramentocert.net/>

<http://www.srccc.org/>

<http://www.redcross.org/>

<http://www.sacpd.org/10steps.pdf>

<http://www.cityofsacramento.org/utilities/flood/floodready.html>

Q. What is the evacuation plan for the elderly, disabled, etc.?

The city has recently completed a draft Evacuation plan which will serve as an annex to the city's Emergency Operations Plan. Currently the plan is still in draft form and is undergoing review prior to adoption.

The planning process included multiple segments of the community including the disabled, the transportation disadvantaged, the elderly, residents of skilled nursing facilities, and other populations needing extra attention. Community summits were held to provide fact finding for the planning process. Participants included disabled rights advocates, disabled advisory committee members, members of aging commissions, agencies providing service to the disabled and seniors, various care facilities, transportation providers, and members of the community.

The plan has provided for a foundation for coordinating the various government, community-based, and private organizations prior to and during an evacuation. It is imperative to note that this plan can only serve as a tool considering the events demanding an evacuation will vary greatly from one to another and will be highly situational based. We utilized many lessons learned from recent disasters such as Hurricane Katrina and recommendations from numerous studies and reports during the evacuation planning process. While this plan addresses many needs during an evacuation, future planning will be ongoing to address those not focused within this draft. Additionally, working in concert with the county during their current evacuation plan development, the city will likely realize benefits in many existing plan gaps.

Some of the things you can do to prepare for the unexpected, such as making an emergency supply kit and developing a family communications plan, are the same for both a natural or man-made emergency.

However, there are important differences among potential emergencies that will impact the decisions you make and the actions you take. You can learn more about the potential emergencies that could happen where you live and the appropriate way to respond to them by visiting the following websites:

www.ready.gov

www.aginginstride.org/emergencyprep/default.htm

<http://www.redcross.org/>

<http://www.sacpd.org/10steps.pdf>

LEASE RIGHTS AND EMINENT DOMAIN

Q. What is a lease right?

Under applicable law, the landowner of property that is located above the underground reservoir has the right to control storage in the reservoir. In order to operate the reservoir, the applicant is required to control all of the reservoir, and the applicant does this by entering into agreements with the individual affected landowners. These are lease agreements, and provide for payment to landowners for the use of their property.

The City is not involved in the negotiation process with individual landowners. The City owns Danny Nunn Park, which is located over the proposed reservoir, and the City and the Sacramento Housing and Redevelopment Agency (SHRA) own other smaller parcels of land located over the proposed reservoir. The City and SHRA are, therefore, engaged in negotiations with the applicant regarding the terms of any lease provision relating to these properties and whether the City will agree to any such lease.

Q. Will eminent domain be used as part of the project?

If the California Public Utilities Commission approves a Certificate of Public Convenience and Necessity the applicant would, by virtue of the fact that it is considered a public utility under law, have the power to exercise eminent domain. The “property” involved in any eminent domain action would be the lease storage rights to the portion of the reservoir underlying the parcel in question.

Prior to exercising the power of eminent domain, the applicant would be required to obtain approval from the CPUC pursuant to Public Utilities Code section 625. The Section 625 process requires the CPUC to make certain findings and hold a hearing at which the public may participate prior to granting authority to exercise the power of eminent domain.