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June 20, 2012

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California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: Opposition to Proposed Decisions to Grant a CPCN to Sacramento Natural Gas Storage, LLC – A. 09-04-013**

Dear Commissioners,

The Greenlining Institute is opposed to the Proposed Decisions granting the application by Sacramento Natural Gas Storage, LLC (SNGS) for a Certificate of Public Convenience and Necessity (CPCN) for the construction and operation of natural gas storage facilities (the Project) directly beneath a predominantly residential area (A.07-04-013). Greenlining is troubled by the significant and unavoidable health and safety risks the Project poses to residents and working families in these communities. We are particularly concerned that many residents have had little opportunity to participate in this process, due to their status as tenants rather than property owners.

The Commission must deny SNGS' application for a CPCN. State policy makes clear that public safety should be the Commission's top priority. CEQA further stipulates that the Commission shall not approve a project for which there are significant unavoidable effects. The Proposed Decisions run counter to these directives and set dangerous precedent. As Supervisors Yee and Nottoli have contended, facilities like the Project are inherently inconsistent with urban residential communities. Therefore, Greenlining urges the Commission to protect public health and safety by denying this CPCN.

**The Project creates significant and unavoidable environmental risks in a predominantly residential area.** Pursuant to CEQA Guidelines §15092(b), the Commission shall not approve a project for which there are significant unavoidable effects. Section 963(b)(3) of the California Public Utilities Code further requires that the Commission "place [the]

safety of the public and gas corporation employees as the top priority.” The Environmental Impact Report (EIR) determined that the Project will have substantial environmental impacts that cannot be effectively mitigated, including the serious risks of gas leakage and groundwater contamination. Experts disagree on both the presence of faults in the Florin Gas Field and the likelihood of degradation in the cap rock. Further, it is unclear whether stored gas could seep from the edges of the reservoir through lateral spreading, especially since the proposed storage capacity may exceed original gas field pressures by nearly eight percent. All of these uncertainties noted in the EIR could have catastrophic consequences on the residents and working families living immediately on top of the proposed storage site. State policy compels the Commission to reject the Project because of its inherent significant and unavoidable risks. Moreover, the Commission cannot accept the Proposed Decisions’ overreliance on ex post mitigation measures that endanger already under-resourced local communities. While additional insurance coverage and surety bonds are important remedial measures, their effects would be felt only after catastrophic damage has occurred. Similarly, essential mitigation measures such as monitoring wells to detect the presence of gas in groundwater will only serve as a canary in the coal mine – alerting us to the danger, but doing little to lessen the damage. Especially given the Project’s uncertain benefit, Greenlining strongly urges the Commission to follow state directives by denying SNGS’ application for a CPCN.

**The uncertain benefits of the Project are greatly overshadowed by the Project’s many risks.** While the primary justification for this Project is to provide a backup gas supply to Sacramento Municipal Utility District (SMUD) in the event of an interruption in its main supply pipeline, the need for this specific Project is dubious. An interruption of this nature has never occurred in SMUD’s extensive history, and the chances of such an occurrence are remote. Further, this type of shortage would merely require SMUD to implement curtailments and/or purchase electricity from other sources. SMUD is already exploring other methods of mitigating any risk of interruption to its pipeline, including building more piping to PG&E’s existing gas line or to another gas field in Lodi. Neither of these alternatives present the significant and unavoidable environmental risks to densely populated residential areas inherent in the Project. Greenlining urges the Commission to err on the side of caution given this Project’s losing combination of serious risks, uncertain benefits, and potential alternatives.

**The Commission cannot accept the unprecedented and dangerous implications of the Project.** The Commission has never permitted a gas storage facility under an existing residential neighborhood. The Avondale and Elder Glen neighborhoods in Sacramento are densely populated, urban areas, home to thousands of residents and working families. While SNGS points to Playa del Rey as a comparable project, their claims leave out several key facts. Most importantly, the homes in Playa del Rey were built after its natural gas storage facility. As such, each house was built with both an impermeable foundation and its own elaborate system of sensors to prevent and monitor gas migration. None of the over seven hundred homes this Project will affect are equipped with comparable safeguards, and there are no plans in the Proposed Decisions to require them. Providing the proper monitoring equipment alone is likely to make the Project financially infeasible; however, these costs are essential to any meaningful comparison of possible natural gas storage sites. Additionally, there are significant differences in geology between the Playa del Rey (PdR) facilities and the Project. According to the Southern California Gas Company, its PdR facility is 6,100 feet below ground level, compared to

this Project's 3,800 feet. More significantly, the PdR facility is covered by 1,500 feet of impermeable shale cap rock, while the Florin Gas Field is capped by a mere 150-300 feet of shale of disputed permeability. Approving this Project would represent a drastic deviation from the Commission's legacy of protecting public health and safety, while setting dangerous precedent for densely populated residential communities. The Commission must deny SNGS' application for a CPCN.

**The Proposed Decisions fail to address tactics used by SNGS to overstate community support for its Project.** The Commission's own Consumer Protection and Safety Division (CPSD) found that SNGS intentionally misled residents to create false support for its Project.<sup>1</sup> In its official filing with the Commission in 2009, CPSD found that SNGS was intentionally "imposing obstacles to [community members'] opposition"<sup>2</sup> of their Project and "abusing the Commission process by coaching and intimidating customers."<sup>3</sup> CPSD also determined that SNGS repeatedly misrepresented itself to residents, falsely claiming that property owners who opt out of its initial leasing program will be "subject to an eminent domain action."<sup>4</sup> These serious ethical violations play a profound role in the current proceedings, as SNGS continues to point to these same lease agreements as evidence of public support. In light of these concerns, the Commission has not had the opportunity to adequately consider a complete picture of public opinion.

**The Proposed Decisions' consideration of community views is undermined by the Project's failure to engage tenants.** Greenlining is troubled by the lack of community outreach and input. The record does not provide clear evidence that tenants' views were solicited or whether these residents even received proper notice and information about the Project. As many area homeowners entered into lease agreements with SNGS up to five years ago, many tenants may have been left out of this process entirely. Failing to include the views of tenants in these deliberations effectively disenfranchises the residents and families who will bear the brunt of this Project's significant environmental impact. Greenlining is also concerned by the lack of proactive attempts to notify either property owners or tenants about the results of the EIR. While the EIR is posted online, without community outreach, most residents are likely unaware of the availability of the EIR and its conclusions. Even residents who have previously shown support for the Project may be seriously dissuaded by findings that the Project will impose significant and unavoidable environmental risks on their community. Finally, we find it troubling that the economic incentives flowing from the lease agreements with SNGS solely benefit property owners, many of whom do not reside in the affected area. In this way, tenants will suffer the majority of the Project's considerable environmental impacts while being systematically excluded from its associated benefits. The Commission should not use its authority to enact such grave inequity.

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<sup>1</sup> Consumer Protection and Safety Division's Motion for New Public Participation Hearing and Motion to Revise Scoping Memo and Issue and Order to Show Cause for a Violation of Rule 1.1, Application by Sacramento Natural Gas Storage, LLC for a Certificate of Public Convenience and Necessity for Construction and Operation of Natural Gas Storage Facilities and Requests for Related Determinations, A.07-04-013, (Filed 7/20/2009) at page 3.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, page 5

<sup>4</sup> *Id.*, page 9

**Community investments are essential but nevertheless fail to offset the significant environmental risks to residents and working families.** Greenlining appreciates Commissioner Simon's efforts to motivate companies to invest in the communities in which they operate. We will continue to work with the Commission on shaping creative win-win solutions, especially in service to low-income communities and communities of color. However, in this instance, the health and safety risks to residents are too great to allow the project to continue, regardless of any benefits.

In its efforts to increase our natural gas reserves, the Commission cannot ignore the great human cost of the Proposed Decisions' measures. The Commission should not put the lives of residents in significant and unavoidable danger in exchange for uncertain benefits. Instead, the Greenlining Institute urges the Commission to follow state directives and protect public health and safety by rejecting this unprecedented Project. We ask that the Commission not rely on overstated community support for a Project that has failed to meaningfully engage many of those who will bear the brunt of its significant environmental impacts. While local investment is essential to the revitalization of our communities, we must always prioritize the health and safety of our communities first and foremost.

Sincerely,



Vien Truong  
Director, Green Assets  
The Greenlining Institute



Amanda Werner  
Intern, Green Assets  
The Greenlining Institute

Cc: Service List for A. 07-04-013