



# SAN JOAQUIN FARM BUREAU FEDERATION

MEETING TODAY'S PROBLEMS / PLANNING FOR TOMORROW

November 10, 1999

Judith Ikle, CPUC Project Manager  
C/o Public Affairs Management  
101 Embarcadero - Suite 210  
San Francisco, CA 94105

**Re: Comments to the Lodi Gas Storage Project Draft Environmental Impact Report  
Application number 98-11-012**

Dear Ms. Ikle,

The San Joaquin Farm Bureau Federation has reviewed the Draft Environmental Impact Report for the Lodi Gas Storage Project. The San Joaquin Farm Bureau Federation has the following comments:

**Easement on Agricultural Land:** The San Joaquin Farm Bureau Federation is extremely concerned with the proposed construction of an easement through agriculturally zoned land for the purpose of this project's underground pipeline. This proposed pipeline should follow the shortest route of county maintained roads from the gas field to the PG & E Interconnect Line where future repairs to the pipeline would be easily accessible anytime throughout the year. Crops such as orchards and vineyards would be permanently lost which would be considered a potentially significant loss to agriculture in San Joaquin County.

O9-1

**Alternative Underground Gas Storage Location:** The San Joaquin Farm Bureau Federation highly recommends that full consideration be given to alternative gas storage locations that are closer to any existing high pressure gas line. (An example would be the PG&E Line 401) Sherman Island already contains an existing high-pressure gas line. An investment of up to a 33-mile long pipeline through Prime Farmland in San Joaquin County could be drastically shortened if the project is located at Sherman Island. Attention to the gas field's noise and potential air quality problems could be addressed as well as solving any problems with structural faults with the money saved from the installation of the pipeline.

O9-2

Perkins Lake should also be considered for the project. It is only an 18-mile distance between the gas field and PG&E Line 401. The applicant would lessen the impact on agricultural property by shortening the length of the pipeline and have less of a residential conflict.

Both the Sherman Island and Perkins Lake sites must be further evaluated before any decision concerning this project can be made. Both of these alternatives would dramatically lessen the conflict issues that the current proposal in the Lodi area has brought about.

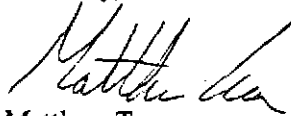
O9-2  
(cont'd)

**The Use of Eminent Domain:** Eminent domain should not be an option to acquire property for this project. This private company is seeking a certificate of public need from the California Public Utilities Commission. This private for-profit company should be required to negotiate in good faith with each landowner and arrive at a reasonable agreement without the right to condemn property in this money making venture.

O9-3

Thank you for your consideration.

Sincerely,



Matthew Terra  
Program Director

Cc: Loren Ohm, San Joaquin Farm Bureau Federation President  
Kevin Fondse, San Joaquin Farm Bureau Federation 1<sup>st</sup> Vice President  
Kenny Watkins, San Joaquin Farm Bureau Federation 2<sup>nd</sup> Vice President  
Russ Matthews, San Joaquin Farm Bureau Federation Executive Director  
San Joaquin Farm Bureau Federation Board of Directors  
Bill Pauli, President, California Farm Bureau Federation  
Ron Liebert, CFBF Legal Counsel  
San Joaquin County Board of Supervisors

## **Responses to Comments from San Joaquin Farm Bureau Federation—Matthew Terra**

- O9-1. Comment noted. As indicated in Table ES-2 in the draft EIR, the shortest pipeline alignment is the Applicant’s original proposed project. This alternative also crosses the most agricultural land of any of the alternatives. Recognizing this issue, the CPUC sought to develop alternatives that would reduce the use of agricultural land. Two of the three alternatives considered in the EIR would reduce use of agricultural lands. However, 10 acres of agricultural land would be permanently lost and some vineyard land would be temporarily disrupted.
- O9-2. Section 2.2.2, “Alternative Underground Gas Storage Locations”, in the draft EIR explains the process used by the Applicant to select the Lodi gas field as the gas storage location for the project. This was the primary factor in selecting a project location because the storage site plays a pivotal role in the success of such a project. Interconnect facilities were selected based on their suitability to serve the storage location, not the reverse.
- O9-3. See Chapter 2, “Clarification of Major Issues”, of this final EIR, for a discussion of eminent domain issues.

Letter O10  
**VARNI, FRASER, HARTWELL & RODGERS**

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November 5, 1999

VIA FAX AND MAIL

Ms. Judith Iklé  
CPUC Project Manager  
c/o Public Affairs Management  
101 The Embarcadero, Suite 210  
San Francisco, California 94105

**Re: Lodi Gas Storage Application – Draft EIR**

Dear Ms. Iklé:

This firm represents Marian Cecile Mohr Fry Zimmerman. Our client is the owner of multiple properties in the Lodi area which are directly and indirectly affected by the proposed Lodi Gas Storage Application.

INTRODUCTION

Before directing specific comments to the Draft EIR, we feel it appropriate to present the following overview with regard to the project:

1. The Lodi area is the largest grape producing area in the United States. In turn, it is between the City of Stockton and the City of Sacramento on Highway 99 and is booming commercially, industrially and residentially. (A good example of the growth taking place in Lodi is illustrated by the October 26, 1999, article in the Bloomberg Business News as republished in the San Francisco Chronicle, a copy of which is enclosed marked Exhibit A. This illustrates a significant investment made by the City of Lodi in expanding its electrical facilities to cope with additional growth.) It is situated south of the infamous Rancho Seco Atomic Power Plant and receives the benefits of the Sacramento Delta to the west and the Sierra Nevadas to the east. Many people who live in Lodi travel to Alameda

County and Santa Clara County for employment. Recent improvements in mass transit between Stockton and Santa Clara County only goes to encourage the number of people who choose to live in this agricultural setting and work in Silicon Valley. The agricultural community, over the past ten years, has made a significant financial investment with hopes of promoting the quality of life and the variety of grapes grown in the Lodi area. These efforts are now coming to harvest. One of the greatest impediments to the promotion of the Lodi area was the ill famed Rancho Seco Atomic Power Plant. When Ranch Seco was approved, the attitude was that the Lodi area was unpopulated and, therefore, a perfect location close to Sacramento for the power plant. The failure of the Rancho Seco plant not only set back the Lodi area, but also caused certain psychological scars on residents both present, past and future. We believe these scars are reflected in the adamant opposition of the Lodi area to the current project.

2. In any application before the Public Utilities Commission, there is the need for the appearance of due process. The present proceedings have been managed by the proponents of the project. The Commission is well aware that the proponents have not yet been given the power of condemnation. In turn, they have gone to numerous property owners who are in the way of the project and told them that if they did not sign right-of-way documents their property would be condemned. As mentioned at certain of the public hearings, there is a feeling that this matter has already been resolved and that the proponents have already received tacit approval for the project.
3. The Draft Environmental Impact Report has all of the pictures and all of the graphs that you would normally expect. In turn, it does not have the details or analysis that is needed for the public to have any confidence in the project or for the Commission to be in a position where they could approve such a project. In the no project alternative analysis there is a mention of various other sites. These sites are disregarded in a superficial manner, either because they are not as functional or more expensive to use. There is no in-depth analysis done with regard to alternate sites. There is also no in-depth analysis done as to other projects similar to this and what their social and economic impacts have been on a community. Other areas of the United States have had similar projects and data should be available as to the economic and social effects of such projects. No such information is contained in the Draft EIR. Further, the analysis of the alternate sites should not place so much weight on lack of function and additional expense, but rather should place more weight on social and economic impacts. It would appear that certain of the other alternate sites are not in populated areas and could be used without the social and economic impacts that will be incurred by the Lodi area if this project is to proceed. Private enterprise, in electing to use this approach to the storage of gas, must face the economic realities of their dreams.

They cannot expect the people of Lodi to bear a disproportionate share of the economic burden when they are not receiving any portion of the economic gain.

4. The fact that the applicant has been able to arrive at a Memorandum of Understanding with certain agricultural interests does not relieve the applicant of its obligation to properly prepare and process the environmental document. Certain of the concerns expressed herein are addressed in the Memorandum of Understanding, but the public is still entitled to be fully advised of all environmental impacts of the proposed project.

### THE DRAFT ENVIRONMENTAL IMPACT REPORT

We believe that the Draft Environmental Impact Report is deficient in the following areas:

1. As mentioned above in the Introduction, there is not enough analysis or information available or included with regard to the *no project alternative*. Under the banner of deregulation, LGS presumes that the project will be beneficial and is therefore necessary. There is no analysis in the environmental document of the benefits to be received by the residents of Lodi as a result of the project. In that the residents of Lodi will not have any access to the gas which is to be stored under the City of Lodi, it would seem that there is no direct or indirect benefit to the residents of Lodi as a result of the project. No effort is spent in the environmental document to evaluate all aspects of the alternate sites, nor is any effort spent to locate alternate facilities in existence throughout the United States and to provide historical economic and social impacts and/or benefits and/or detriments proven by history and time. It is presumed and strongly asserted by the proponents that there will be economic savings by reason of such project. To reach such savings they choose to ask this Commission to give them the power of eminent domain so as to reduce the cost of the project. The additional expense which might be incurred for the gas if it is not placed in the proposed facility or if the proponent is required to use existing rights-of-way is far more acceptable to the public than the economic effect on the Lodi area of the project as proposed by LGS.
2. The environmental document is deficient in that it fails to analyze the socioeconomic effects of allowing private industry to use the power of eminent domain for public / private purposes. There is no question that the project can be built without the exercise of the power of eminent domain, but at a greater expense. There are adequate existing public roads and rights-of-way from the source of the gas to the proposed underground cavern without the need of crossing private property. The fact that the route will be more circuitous and

O10-1

O10-2

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O10-4

more expensive should not be a factor and, under California law, is not a factor to be considered when private industry proposes to construct a facility for private profit. There is no analysis in the environmental document of the pre-existing rights of other governmental entities to the rights-of-way proposed to be used by LGS. There are several situations where higher public uses exist in the right-of-way and these higher public uses will be interfered with by LGS if given the power of eminent domain. The final result of all of the above is that the residents of Lodi are asked to bear a disproportionate amount of the cost of a facility which is constructed, not for their benefit, but for the benefit of society in general. The damage is not merely the expense or value of the right-of-way, but also the overall loss of property values from the stigma that is placed on the Lodi area by a 1,400 acre underground gas tank with no sensitivity to the fact that the prior Rancho Seco project, immediately to the north of Lodi, had a significant social and economic effect on Lodi in the last twenty years.

O10-4  
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3. The Draft Environmental Impact Report does not adequately evaluate the direct and indirect effects of the project on the wine industry presently existing and proposed in the Lodi area. What would the reaction of Napa or Sonoma be to an attempt to build a 1,400 acre underground storage tank under their vineyards? The ambiance of grapes and their sensitivity to all of the elements, whether in the minds of *connoisseurs* or in the minds of the general public, has economic effects on the viability of a wine growing area. Just as people do not wish to eat vegetables grown adjacent to an atomic energy plant, people do not want to live on top of an underground storage tank. Grapes grown on property not affected by an underground storage tank have a better public image than grapes grown on ground immediately above an underground storage tank or adjacent to a gas venting mechanism. The draft document at this time contains no analysis of the economic effect on grapes grown in the Lodi region other than the rudimentary analysis of the cost of digging up existing vines and replanting them. The long and short range effects on the quality and quantity of grapes and on the value of grapes grown in the Lodi area before and after the proposed project have not been evaluated.

O10-5

4. The draft document is deficient in that it contains no provision for long term mitigation monitoring. There is certainly data available with regard to changes in equipment and changes in public sentiment and sensitivities to the facilities now being proposed. The draft document should evaluate the changes in facilities which have occurred in gas fields in the United States over the past twenty years and anticipated changes which will occur in the future requiring the proponents to upgrade the proposed facilities on a periodic schedule. Facilities which are constructed at this time cannot be allowed to be grandfathered in when new air quality standards are imposed. Further, facilities which are permitted at this time should be required to go through a new permit procedure every five years, just as

O10-6

other sensitive facilities such as sewer plants which discharge into public waters are required to be re-permitted on a periodic basis. The facilities proposed by this project must also be required to stand the scrutiny of re-permitting and must be upgraded periodically to meet then current standards. Further, mitigation monitoring should include the above-ground facilities. Landscaping is proposed, however, if not maintained and not monitored it will, as in the past, fall into disrepair.

O10-6  
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5. Recent government reports indicate a continuing problem with air quality in the San Joaquin Valley. The proposed project will not improve air quality, but rather will contribute to its degradation. If private industry were seeking to build a plant in the Lodi / Stockton area which would contribute to air quality degradation, they would be required to purchase air quality credits or remove a polluting industry from operation as a condition of approval. The fact that the LGS project is sanctioned by the Public Utilities Commission should not exempt it from a similar mitigation requirement.

O10-7

We respectfully request that this letter be placed in the environmental document and a response be provided. We request that the proposal be required to revise the environmental documents to respond to these deficiencies.

Very truly yours,

VARNI, FRASER, HARTWELL & RODGERS



ANTHONY B. VARNI

ABV/l  
CalPUC-Iklé.Ltr

cc: Client



Tuesday, October 26, 1999  
San Francisco Chronicle

# Lodi's interest rate swap could save city millions

BLOOMBERG BUSINESS NEWS

LODI — The city of Lodi, located in California's Central Valley, hopes to save more than \$5 million with a \$42 million interest rate swap it expects will reduce the cost of bonds sold for its electric utility.

Under the swap, Lodi will pay Salomon Smith Barney a variable rate for 15 years, in return for Salomon paying a fixed rate high enough to pay most of the city's cost for bonds it sold last month.

Lodi will pay the interest on the bonds, without any swap, from 2014 to 2032, the bonds' final maturity.

"We were interested in achieving some of the attractive yields offered by variable-rate debt," said Alex Burnett, managing director at Public Financial Management Inc., Lodi's financial adviser.

The floating rate index for the city's swap payments now stands at 3.39 percent, less than the 5.11 percent it receives from Salomon under the swap. If that gap persists, the city's savings over the next 14 years have a present value of \$5 million to \$6 million, Burnett said.

The city-owned electric utility, which serves 23,341 customers, was willing to accept

the risk of rising interest rates because it has \$30 million to \$40 million invested in short-term securities. It expects the interest on those securities would increase to roughly match a rise in the swap payments.

"This strategy insulated the utility's overall balance sheet from dramatic fluctuations in the interest rate environment," Burnett said. Still, the city and utility didn't seek a swap for the life of the bonds because they "were not necessarily interested in taking floating rate risk for that long," Burnett said.

The swap agreement, which was priced Sept. 29, calls for Lodi to pay Salomon a floating rate equal to Bond Market Association's municipal swap rate.

Because the start of the agreement was delayed to March, the city collects an extra 12 basis points from Salomon.

The delay would benefit Salomon if short-term interest rates rise because that would increase Lodi's floating-rate swap payments.

MBIA Inc. insured the bonds which Lodi sold in August. Orrick, Herrington & Sutcliffe LLP served as bond counsel, Burnett said.

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EXHIBIT A

- O10-1. The analysis of the no-project alternative does not assume that the project is beneficial. In fact, the opposite is true. Because it is difficult to quantify such effects, the no-project alternative discussion in the draft EIR does not take into account that increased natural gas storage in California will ultimately reduce the use of other fuels during periods of high demand, thereby reducing harmful air emissions; however, because of the complex nature of the energy market, the draft EIR does not attempt to justify the project on this basis. Therefore, the no-project alternative discussion in the draft EIR only discusses the fact that if selected, the project would not be constructed and none of the environmental impacts associated with the action would result.
- O10-2. The facility would not provide natural gas to Lodi residents. The Applicant has stated that local tax benefits would result from the project.
- O10-3. Underground natural gas storage is a long-proven technology used throughout the world. California has relatively few such operations and the CPUC and the California Legislature determined that additional facilities were desirable within the state. The CPUC considers the alternatives analysis in the draft EIR to be appropriate. A major emphasis of the CPUC decision on whether to approve the Lodi Gas Storage project will be to balance statewide needs with local effects.
- O10-4. The commenter contends that the environmental document is deficient in that it does not analyze the socioeconomic effects of a private entity using the powers of eminent domain. Effects analyzed under CEQA must be related to a physical change in the environment (State CEQA Guidelines Section 15358(b)). Economic or social effects are not considered environmental effects under CEQA. These effects need only be considered if they would lead to an environmental effect. The process of eminent domain that would be available to LGS if the CPUC grants their application for a Certificate of Public Convenience and Necessity is discussed in Chapter 2, “Clarification of Major Issues”, of this final EIR. Additionally, and as discussed in Section 1.6, “CPUC Application Process” of the draft EIR, the CPUC, as part of the application process considers the public benefit and need for the project.
- O10-5. The proposed project does not involve the construction of an “underground storage tank”. The project would utilize an existing natural feature that stored natural gas for many thousands of years prior to being discovered and the gas withdrawn over a several-decade period ending in the 1970's. This feature is over 2,000 feet below the ground and would have no effect on the ground surface. Farming, including grape growing, has historically occurred over this feature before, during, and after the previous gas exploration and extraction activities.
- O10-6. Chapter 5 of the draft EIR contains a draft mitigation monitoring and reporting plan. Evaluation of potential new equipment, changes in public policy, or new laws is purely

speculative. The state CEQA guidelines expressly caution against speculative analyses. The project would be permitted in compliance with current laws.

- O10-7. The comment concerns continuing air quality problems in the San Joaquin Valley. Recently, the San Joaquin Valley Unified Air Pollution Control District announced that the San Joaquin Valley Air Basin will be redesignated by the U.S. EPA from a serious to a severe ozone nonattainment area. This redesignation is expected to occur no later than May 2000. As a severe ozone nonattainment area, the San Joaquin Valley Unified Air Pollution Control District would have until 2005 to implement measures that would bring the Air Basin into attainment with the 1-hour federal ozone standards.

If the project were approved, the Applicant would be required to comply with all applicable regulations and requirements of state and local agencies, including those of the San Joaquin Valley Unified Air Pollution Control District. Under the new designation, the project Applicant would still be able to construct the proposed facilities. This new designation will require the Air District to develop and implement more stringent emission controls for stationary and area sources and will increase the offset requirements from a ratio of 1.2 to 1, to a ratio of 1.3 to 1 for offsets obtained within 15 miles of a source; however, it's unclear whether the proposed project will be permitted prior to the redesignation from a serious to a severe area. As discussed in Section 3.5, "Air Quality", of the draft EIR, given the current ozone designation of the San Joaquin Valley, LGS would need to obtain offsets for NO<sub>x</sub> and ROG (ozone precursors) to mitigate the net increase in these emissions resulting from the project. The actual amount of emission offsets required will be based on the final agreement between LGS and the Air District as to what constitutes best available control technology (BACT). If controlled emissions (after installation of BACT) exceed specific trigger levels, then emission offsets or credits must be obtained for the project. If the project is approved under the new designation and if emission offsets are unavailable, then the project Applicant would be unable to build the proposed facility.



November 3, 1999

Judith Iklé  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA

Dear Ms. Iklé

**RE: Lodi Gas Storage Project**

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Recently you related to Ernie Ralston of Matrix Environmental Planning that a claim had been made by a member of the public participating in the Commission's review of the Lodi Gas Storage Project regarding excessive operational noise at the Wild Goose Gas Storage Project. As I understand it, the person claimed that at 2:00 am they had recorded a 120 dB noise level at the Remote Facility Site.

Wild Goose Storage Inc. has incorporated extensive noise mitigation measures into project design, construction and operations due to the noise-sensitive nature of the area surrounding the Remote Facility Site. WGSi committed to keeping operational noise emission levels below ambient at the nearest residences and below the Butte County guideline of 75 dB at the fence line. To document the effectiveness of these mitigation measures, a noise survey was conducted on June 23 and 24, 1999 during the gas injection cycle when both compressors were operating at 100% capacity. Survey locations included the two nearest residences and along the fence line of the facility. These measurements documented that noise emissions from the facility were inaudible at the two residences and did not exceed 70 dB at the fence line.

Pressure relief from compressor station piping is necessary for safe operation of the facility. The WGSi gas compressor facility, like all gas facilities, has incorporated a number of redundant safety systems into the overall operation of the facility. During normal operations, sectional piping is usually depressurized (termed blowdown) whenever a compressor unit shuts down or the injection/withdrawal mode changes. In addition, abnormal station operations could trigger activation of Emergency Shutdown (ESD) valves to blowdown the affected components. Both of these blowdowns are gradual depressurization and are routed to a silencer for noise attenuation. The third type of depressurization is via the pressure safety valves. These valves only activate when the pressure exceeds a preset level, the fire detection system is triggered or an equivalent significant event occurs that necessitates an immediate depressurization of the system. The safest method is to rapidly relieve the pressure directly to the atmosphere, not by a gradual release through a silencer. Consequently, these blowdowns are extremely loud, but last only 5 to 10 seconds. In normal operating mode and even under the first level of alarm mode where the ESDs are activated, the pressure safety valves do not open.

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As part of the expected challenges of starting up a new facility, records show three recorded events of these pressure safety valves activating. The first event occurred on August 25, 1999 at 10:52 p.m. and was caused by a data signal loss from the PG&E pipeline system, which forced the inlet control to open, followed by activation of the pressure safety valves. The safety system has been modified to ensure an interruption in the data signal from PG&E does not cause this valve to release again. The second event, which occurred on September 30, 1999 at 3:00 p.m., was caused by a gas flow surge while operators were "tuning" the 6" pressure control valve as part of the system calibration associated with start-up. Both of these occurrences were discussed with affected adjacent property owners, noting that these were abnormal occurrences and not something that would be expected under usual project operations. The latest event occurred just a few days ago on October 28, 1999 at 11:30 a.m. when the compressor building fire detection system was inadvertently tripped, shutting down the compressor and activating the pressure safety valve. One of the staff opened an outside door on the building near where welding was taking place, and the bright welding light reflection off the opening door into the compressor building tripped the fire detection system. This also is an abnormal operating occurrence that should not occur again now that staff have experienced the sensitivity of the fire detection system.

O11-1

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While the noise level associated with the activation of these two valves may have reached 120 dB immediately adjacent to the valve, it would have only been for a matter of seconds and only on the dates and times noted above.

Please call me at (403) 266-8370 if you have any questions regarding the above.

Sincerely,

**WILD GOOSE STORAGE INC.**

Dean Cockshutt  
Vice President, Engineering and Operations

CC: E. Ralston, Matrix Environmental Planning  
W. Mardian, WGSJ Operations Manager

**Responses to Comments from Wild Goose Storage, Inc.—Dean Cockshutt**

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O11-1. This comment provides information about “blowdown” events at the Wild Goose Storage facility in Butte County. No response is required.