

## **Property Owner Payments – Frequently Asked Questions (FAQ)**

### **If the Sacramento Natural Gas Storage (SNGS) project is approved, how much will property owners earn?**

Property owners, whose land extends above the reservoir, will be paid a minimum of \$500 annually or more if the property is greater than one half acre. Lease signing bonuses will also be provided at this same \$500 minimum at the time of signing. Lease payments for one-acre sites will be paid at \$1,000 per acre which exceeds other compensation of only \$317 or \$681 at other comparable facilities (e.g. Wild Goose and Lodi).

### **What if my property is less than a half an acre?**

No one will be paid less than \$500 for their storage rights. Property owners, whose land extends above the reservoir and having less than half of one acre, will be paid \$500 annually as part of the SNGS lease agreement.

### **What if the storage reservoir was located in a more costly area like Land Park, would they earn more money for leasing their property?**

Absolutely not! The assessed value determined for the compensation, for the purposes of a natural gas storage facility, is based on the value of the storage opportunity that is underground.

### **The City of Sacramento owns property above the reservoir; would they earn more money than other property owners?**

The amount paid per parcel is distributed on an equitable basis determined by the size of each parcel. Leasing payments will be based on the individual landowner's property size. For every one half of an acre (or a fraction thereof), the property owner would receive \$500 annually as part of the SNGS lease agreement. The City does not receive any more money than other property owners.

### **Would you consider as part of the lease payment, property owners being partners in the project?**

While not truly partners, the property owners will share in the gross revenues and will be protected from any losses realized by the storage project. Since property owners are lessors not partners, they have no financial risk of cost over-runs, operating losses or loan foreclosure on their storage rights.

### **How will the value of my property be impacted?**

Properties receiving annual lease income will benefit from an increase in the value of their property. The estimated 15-year value increase, for a typical neighborhood property, is projected to be more than \$10,000.

### **How has the proposed compensation plan for the homeowners and the community been researched and calculated?**

SNGS is committed to make an offer that is more than fair market value to all landowners whose property extends above the reservoir. The proposed offer far exceeds the appraised

fair market value by 417% for a typical neighborhood property. The Appraisal of fair market value (dated June 1, 2007) was made by the firm of Harold W. Bertholf, Inc., a well-respected appraisal, engineering, and geological company previously used by the City of Sacramento. The offer includes the following:

- Every landowner will be paid at the same rate for their storage rights
- Each landowner who voluntarily signs a lease will receive a “signing bonus”
- The amount of money that SNGS will pay for the storage rights will be a fixed percentage of the company’s gross revenues which may increase over time
- Each landowner will receive a minimum annual payment of \$1,000 per acre but no less \$500 per parcel, no matter how small their parcel may be.

A comparison of three other Northern California natural gas storage facilities property owner compensation rates showed that the SNGS offer greatly exceeded the payments offered by comparable projects. The structure of this compensation package also allows Sacramento property owners to share in future, expected revenues.

**What portion on my property will be leased and will it effect my daily life?**

The storage area to be leased is located nearly a mile below the surface of neighborhood properties. No surface property will be impacted in any way due to storage activities. Well-site activities will be conducted east of Power Inn Road in an industrial area and drilling will occur off site so as not to disturb any portion of the residential neighborhood. No SNGS work will occur on any properties owned by residents.

**Are lease payments considered taxable income?**

Please consult a licensed tax advisor for verification of individual income tax obligations.

***NOTE:** SNGS does reserve the right to withdraw the present Offer as to any storage rights SNGS must acquire by eminent domain proceedings. In that event, the premium will no longer apply and SNGS will propose the Appraisal (or an update thereof) as just compensation for any such rights. The limited duration of the Offer is intended not only to reward landowners for early signup but also to share with the landowners the savings to SNGS against the time and expense involved in the eminent domain process. SNGS is not now authorized to use the power of eminent domain. If necessary, it will petition to obtain such power from the California Public Utilities Commission as set forth in answer to Question33 of the Community Q & A - (Located as a download on the community outreach page).*