



## NORTHWEST PROPERTY RIGHTS COALITION

January 30, 2009

Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

**Subject:** Palomar Gas Transmission, LLC, Docket No. CP09-35-000

Dear Ms. Bose,

The following discussion addresses Palomar's claim that its "policy is to offer fair compensation for rights-of-way and property and crop damages. This should ensure that any effects that the pipeline easement may have on property values would be offset by compensatory payments to property owners." (Palomar Gas Transmission Project Resource Report 5 - Socioeconomics, 5-33)"

Palomar cites the 2001 Interstate Natural Gas Association of America, *Natural Gas Pipeline Impact Study*, as evidence that real estate prices are unaffected by the presence of pipelines.

"The Interstate Natural Gas Association of America (INGAA) conducted a national case study to determine if the presence of a pipeline on a piece of property affected the property value or sales price of the property. The INGAA Foundation Natural Gas Pipeline Impact Study concluded that there is not a significant impact on the sales price of properties located along natural gas pipelines (INGAA, 2001). (Palomar Gas Transmission Project Resource Report 5 - Socioeconomics, 5-33)"

We counter that the study should be removed from the record as supporting evidence as not germane and flawed in the following ways:

- The study is not independent.
- The study is too small
- Generally the comparisons are made of housing sales decades after pipeline installation.
- Generally the pipelines studied are small (< 10") and low pressure (< 800 psi). No 36", high pressure (>1000 psi) pipeline was studied.
- Study uses "adjustments" to the data without citation.

- It deliberately omits “foreclosure sales, bankruptcy sales and sales between related parties.”

NWPRC offers the following alternative view:

- Chang, Yun-chien, An Empirical Study of Compensation Paid in Eminent Domain Settlements: New York City 1990-2002(December 30, 2008). 3rd Annual Conference on Empirical Legal Studies Paper; NYU Law and Economics Research Paper No. 08-52. Available at SSRN: <http://ssrn.com/abstract=1120072>

We believe the Yun-chen study demonstrates that due to fundamental methodological problems, compensation, as a rule in eminent domain cases, is not just or fair (i.e. equitable and accurate).

We ask FERC to request that Palomar elaborate on its plan to offer fair compensation and provide details on how it plans to ensure it meets its own standard. We suggest some possibilities:

- “Topping-off” compensation after all negotiations are complete so that no owner of comparable property receives less than the average monetary compensation per mile.
- Independent auditing, after construction, to confirm Palomar met its goal.
- Publishing standard contract details in advance.
- Releasing the anticipated dollar compensation per mile.
- Releasing to all affected land owners the names and addresses of all other affected landowners.
- That the terms of all agreements be made public.

In our view, just compensation must also extend to the negotiated non-economic clauses. We find it manifestly unfair that not all landowners are guaranteed to receive the same protections. We request that Palomar commit to concluding negotiations with ODF before approaching any small landowner (under a section in size) and that those landowners have the benefit of reviewing the terms of the ODF agreement before negotiating their own.

Finally, Palomar’s application fails to address the gist of the pre-filing comments concerning protections in the short term for events such as the following:

- What if the landowner wants to sell the property shortly before, during or shortly after installation?
- What protections are there for negotiating in a depressed market where values are below historic norms?

Respectfully submitted,

Marc Auerbach  
Chair, NWPRC

Enclosure: Critique of the INGAA *Natural Gas Pipeline Impact Study*

## Critique of the INGAA *Natural Gas Pipeline Impact Study*

While the INGAA study weighs in at a hefty 225 pages, for our purposes it can be reduced to one table and a graph.

Figure 1 summarizes the study areas and details of interest. As is readily apparent the comparisons are made of housing sales decades after pipeline installation. The pipelines studied are small (< 10") and low pressure (< 800 psi). No 36", high pressure (>1000 psi) pipeline was studied. The study uses "adjustments" (Adj.) to the data without citation.

Figure 1

Study Area	Pipeline			Sales Data		
	Size (Dia ")	Pressure (PSI)	Install (YR)	Period	Number	Adj. (%)
Greenway Village, TX	30	780	1952	1996-2000	227	
Meadow Green, TX	30	780	1952	1996-2000	71	
North Lake Village, TX	6 10		40's-50's 40's-50's	1996-2000	213	
Summer Pointe, TX	20 30	700-800 550-750	1971	1997-2000	46	
South Lake Village, TX				1996-2000	189	
Pioneer	10	300	1963	1992-2000	27	
Jackson Creek Estates, OR	6	300	1963	1992-2000	88	
Stonecreek Subdivision, OR	6	300	1963	1992-2000	54	
Country Meadows Estates, OR	6	300	1963	1992-2000	17	
Medford Land, OR	12	1000	1995	1995-2000	39	3
Las Colinas, TX	24	400-800	1960's	1998-2000	3	3
Las Colinas Land, TX	24	400-800	1960's	1997-1998	5	5
Products Pipeline, TX	6	1400* *operated low	1972	1997-1998	2	5
Newton, CT	24	1400	1991	1993-2000	97	

We think the only valid conclusion to be drawn is that for small to medium, low-pressure pipelines, decades after installation there may be little difference in home values. This entirely misses the gist of the pre-filing comments concerning protections in the short term for events such as the following:

- What if the landowner wants to sell the property shortly before, during or shortly after installation?
- What protections are there for negotiating in a depressed market where values are below historic norms?

Medford is the only study of rural farm land. We present the data in consolidated chart format in Figure 2. This is the only data where pipeline installation overlaps the study period.

We observe that there are few data points (23). The highlighted values are those on the pipeline route (only 4). The variance in per acre prices is \$552 around a mean of \$1900 making any sort of statistical conclusion impossible. Excluding the outlier value of \$3030,

the prices on the pipeline route would appear to be at or below the regression line. How this supports the conclusion of no difference in values, we cannot say.

Figure 2

