

# **DRAFT STAFF REPORT**

**PROPOSED RULE 2260  
REGISTRATION REQUIREMENTS FOR EQUIPMENT  
SUBJECT TO CALIFORNIA'S OIL AND GAS  
REGULATION**

**AND**

**PROPOSED RULE 3156  
FEES FOR EQUIPMENT SUBJECT TO RULE 2260  
REGISTRATION REQUIREMENTS FOR EQUIPMENT  
SUBJECT TO CALIFORNIA'S OIL AND GAS  
REGULATION**

**OCTOBER 20, 2107**

**SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT**

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**SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT**

*Draft Staff Report for Proposed Rules 2260 and 3156*

October 20, 2017

**SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT**

**DRAFT STAFF REPORT**

**District Rule 2260  
(Registration Requirements for Equipment  
Subject to California’s Oil and Gas Regulation)**

**District Rule 3156  
(Fees for Equipment Subject to Rule 2260 Registration Requirements for  
Equipment Subject to California’s Oil and Gas Regulation)**

October 20, 2017

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**I. SUMMARY**

The California Air Resources Board’s (CARB) adopted a new rule on March 23, 2017, to reduce methane emissions from certain equipment used at crude oil and natural gas facilities, codified in California Code of Regulations Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4, Subarticle 13: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities (California’s Oil and Gas Regulation). This rule is part of CARB’s efforts to implement California’s “Global Warming Solutions Act of 2006 (also known as AB 32). To implement AB 32, CARB employed a multi-faceted approach to reduce greenhouse gas emissions in California, including the cap and trade program and various source specific rules. One of these source specific rules is California’s Oil and Gas Regulation.

California’s Oil and Gas Regulation can be implemented and enforced by CARB directly or by local Air Pollution Control Districts, if authorized by a Memorandum of Agreement (MOA) between the local Air Pollution Control District and CARB.

At the request of the regulated industry and California Air Resources Board (CARB), the District is proposing to adopt two new rules to implement the new CARB regulation. The proposed District rules will create a streamlined

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registration program that will allow the District to implement and enforce the regulation in coordination with the District's existing regulatory programs, thus avoiding the duplicative regulation that would occur if CARB were to implement the regulation. Although the state expects to reimburse the District for its costs in implementing the program, the proposed District Rules will also establish the necessary fees to reimburse the District for costs of implementing the regulation if CARB does not fully reimburse the District's costs.

Towards that end, a proposed MOA has been prepared and draft Rules 2260 and 3156 have been developed for the purpose of meeting the requirements for District implementation of California's Oil and Gas Regulation. Draft Rule 2260 meets the requirements for District implementation in California's Oil and Gas Regulation and will offer a streamlined registration process by which the District can implement and enforce California's Oil and Gas Regulation for all affected facilities in the District.

The proposed MOA allows for the State to reimburse the District for time spent implementing and enforcing Rule 2260. It is expected that initially the State will provide sufficient funds to the District to cover its implementation costs. If the District's allocation of funding from CARB in the State budget to implement the California's Oil and Gas Regulation does not include sufficient funds to reimburse the District's ongoing costs of implementing Rule 2260, the District shall collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs, as specified in the draft Rule 3156 (Fees for Equipment Subject to Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

## **II. BACKGROUND**

Existing District rule requirements that apply to crude oil and natural gas facilities are intended to reduce NOx emissions from combustion sources including, but not limited to, steam generators, boilers, heaters, IC engines, and gas turbine engines, and VOC emissions from evaporative sources including, but not limited to, organic liquid storage tanks, certain crude oil production wells, and gas processing plants. The District has a robust permitting and compliance program under which oil and gas facilities are required to have District permits and are regularly inspected. As a result, District staff are very familiar with oil and gas facilities. The implementation of California's Oil and Gas regulation by the District would allow for significant streamlining opportunities and avoid a duplication of efforts by the District and CARB.

Both CARB staff and the facilities subject to California's Oil and Gas Regulation support District implementation of California's Oil and Gas Regulation.

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## Overview of Requirements Of California's Oil and Gas Regulation

California's Oil and Gas Regulation establishes GHG emission standards for certain equipment at the following types of facilities:

- Onshore and offshore crude oil or natural gas production; and,
- Crude oil, condensate, and produced water separation and storage; and,
- Natural gas underground storage; and,
- Natural gas gathering and boosting stations; and,
- Natural gas processing plants; and,
- Natural gas transmission compressor stations.

Within these facilities, there are requirements for:

- Separator and tank systems
- Circulation tanks for well stimulation treatments
- Reciprocating natural gas compressors
- Centrifugal natural gas compressors
- Natural gas powered pneumatic devices
- Liquids unloading of natural gas wells
- Well casing vents
- Natural gas underground storage facility monitoring requirements

California's Oil and Gas Regulation also has requirements for leak detection and repair, special provisions for repair of critical components, requirements for vapor control systems and vapor control devices installed to comply, recordkeeping, and reporting requirements.

The District has numerous facilities that are subject to California's Oil and Gas Regulation. In fact, for facilities used in crude oil production, approximately 80% of all oil produced in California is produced in the District, primarily in the South Valley.

### **III. DISCUSSION**

#### **A. Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation**

In considering alternatives to implement and enforce California's Oil and Gas Regulation, staff held a public scoping meeting on June 6, 2017 to present possible options and solicited public input on those options and any suggestions for alternative options.

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Options presented during the scoping meeting were:

- Option 1: Incorporate Requirements Into Each Affected Permit to Operate (PTO), and Require Permit Exempt Equipment Registrations (PEERs) to Enforce Requirements for Exempt Equipment

The District considered enforcing the requirements of California's Oil and Gas Regulation by including applicable requirements in Permits to Operate for equipment subject to permit and by issuing Permit Exempt Equipment Registrations (PEERs) for equipment not subject to District permit. The advantage of this method enforcement is that the District already has the mechanisms in place to include these enforce requirements through PTOs and PEERs.

This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERs for exempt equipment to enforce California's Oil and Gas Regulation.

However, Rule 2010 Permits Required authorizes the District to require a permit only for equipment that is the source of "air contaminants". The District has not made the determination GHGs are air contaminants. As such, the District does not have the authority to require permits for equipment that solely emits GHG.

While some equipment subject to California's Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

- Option 2: Incorporate Requirements Into Each Affected Permit to Operate (PTO), and Enforce Exempt Equipment Through a Compliance Plan

The District considered enforcing the requirements of California's Oil and Gas Regulation by including applicable requirements in Permits to Operate for equipment subject to permit and enforcing the requirements for exempt equipment through operator submittal of a California's Oil and Gas Regulation compliance plan. The advantage of this method enforcement is that the District already has the mechanisms in place to include these enforce requirements through PTOs and through a compliance plan (as with several oil and gas related leak detection and repair rules).

For the equipment that is exempt from permit, this option does not meet the criteria in California's Oil and Gas Regulation that the requirements be enforceable by permit or registration.

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Additionally, Rule 2010 Permits Required authorizes the District to require a permit for only for equipment that is the source of “air contaminants”. The District has not made the determination GHGs are air contaminants. As such, the District does not have the authority to require permits for equipment that solely emits GHG.

While some equipment subject to California’s Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

- Option 3: Incorporate Requirements Into Facility-Wide Requirements for Permitted Equipment and a Facility Wide Permit Exempt Equipment Registration for all Exempt Equipment

The District considered enforcing the requirements of California’s Oil and Gas Regulation by including the requirements of the rule in the facility-wide requirements to enforce the standards for permitted equipment. New facility wide PEER requirements would have to be created to enforce the requirements for permit exempt equipment.

This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERS for exempt equipment to enforce California’s Oil and Gas Regulation.

However, Rule 2010 Permits Required authorizes the District to require a permit for only for equipment that is the source of “air contaminants”. The District has not made the determination GHGs are air contaminants. As such, the District does not have the authority to require permits for equipment that solely due equipment having GHG emissions.

While some equipment subject to California’s Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

Subsequent to the scoping meeting, the District received suggestions on two additional options:

- It was suggested that California’s Oil and Gas Regulation can be made enforceable through the facility submittal of a compliance plan to satisfy the requirements, District approval of such a plan, and including a requirement in a permit exempt equipment registration that the facility comply with the compliance plan.

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This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERs to be issued to enforce the compliance plan submitted to address California's Oil and Gas Regulation requirements.

Staff believes that the enforceability of different compliance plans from numerous facilities would result in inefficiencies related to staff time required to review and potentially approve numerous compliance plans and to enforce different compliance plans for numerous facilities.

The District considered this option, but ultimately rejected it as the explicit requirements of California's Oil and Gas Regulation would not be contained in a District permit or registration, and would not meet the criteria for District implementation specified in California's Oil and Gas Regulation.

- Two commenters suggested a fifth option, specifically that California's Oil and Gas Regulation can be enforced by issuance of a general permit or general order that, for each facility; specify the requirements of California's Oil and Gas Regulation for the different types of equipment subject to the rule.

Such a general permit/general order would, for each type of equipment subject to the California's Oil and Gas Regulation, list the individual pieces of equipment, and the specific requirements for that type of equipment.

This option would require the adoption of a new Regulation II rule that would provide the District authority to issue a document that would be used to enforce the requirements of California's Oil and Gas Regulation.

### **Recommendation:**

Staff believes that a modified version of this fifth option offers a practical means to enforce California's Oil and Gas Regulation and meets the criteria for District implementation contained in California's Oil and Gas Regulation. Analogous to a general permit, the District is proposing to issue registrations with standard sets of conditions corresponding to the requirements of California's Oil and Gas Regulation for each equipment type.

Additionally, enforcing these requirements through a registration separate from District permits will ensure that the New Source Review requirements of the District's permitting regulations do not apply. These requirements of the registration will be based solely on California's Oil and Gas Regulation and NSR requirements like BACT and offsets would not be triggered by

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installation of new equipment or modifications of existing equipment, except in cases where a permit is otherwise required by District rules.

The following discussion describes draft Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation:

## 1.0 Purpose

This section identifies the purpose of the proposed rule. Proposed rule language is as follows:

*The purpose this rule is to provide a registration mechanism that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation.*

## 2.0 Applicability

This section identifies the applicability of the proposed rule. Proposed rule language is as follows:

*This rule is applicable to owners or operators of equipment subject to California's Oil and Gas Regulation.*

## 3.0 Definitions

Definitions are provided to assist a reader's understanding of the rule. Proposed rule language is as follows:

*Unless otherwise defined, terms used in this rule are defined in California's Oil and Gas Regulation.*

*3.1 Administrative Change: Correction of typographical errors.*

*3.2 California's Oil and Gas Regulation: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, 17 CCR § 95665 et seq.*

*3.3 CARB: California Air Resources Board*

*3.4 Equipment Site: A single location within a Facility where equipment is located.*

*3.5 Equipment Type: Equipment having specific requirements under California's Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).*

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- 3.6 *Facility: As defined in 17 CCR § 95667(a)(19), means any building, structure, or installation to which this subarticle applies and which has the potential to emit natural gas. Facilities include all buildings, structures, or installations which:*
- 3.6.1 *Are under the same ownership or operation, or which are owned or operated by entities which are under common control;*
  - 3.6.2 *Belong to the same industrial grouping either by virtue of falling within the same two-digit standard industrial classification code or by virtue of being part of a common industrial process, manufacturing process, or connected process involving a common raw material; and,*
  - 3.6.3 *Are located on one or more contiguous or adjacent properties.*
- 3.7 *Registered Equipment: An individual device subject to the requirements of California's Oil and Gas regulation.*
- 3.8 *Registration: A document issued by the District to the owner or operator of a Facility subject to California's Oil and Gas Regulation, which document identifies registered equipment that is subject to California's Oil and Gas Regulation at the Facility.*
- 3.9 *Stationary Source: As defined in Rule 2201 (New and Modified Stationary Source Review Rule).*

## 4.0 Exemptions

This section provides an exemption from registration requirements for equipment that is not subject to the standards of California's Oil and Gas Regulation. Further this section requires that owners or operators that are exempt from specific provisions of California's Oil and Gas Regulation must document the basis for the exemption and maintain records of the basis of the exemption.

Proposed rule language is as follows:

- 4.1 *Equipment that is not subject to the standards of California's Oil and Gas Regulation is exempt from the registration requirements of this rule.*

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4.2 *Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall be make such documentation readily available for District inspection upon request:*

4.2.1 *Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);*

4.2.2 *Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);*

4.2.3 *Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and*

4.2.4 *Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).*

## 5.0 Requirements

This section specifies the requirement to submit an application for a registration, the timing of such applications, and requirements for the District to issue registrations.

California's Oil and Gas Regulation requires that applications be submitted to CARB, or to District's that will be implementing the regulation by January 1, 2018. Draft Rule 2260 includes provisions that allows for facilities that submit their application directly to CARB and identify the Districts permit to operate facility number most closely related to that equipment, that the District will utilize that application for a District registration.

Proposed rule language is as follows:

5.1 *The owner or operator of existing equipment subject to the requirements of California's Oil and Gas Regulation shall submit a complete registration application to the District by [60 days from rule adoption date].*

5.1.1 *Complete applications submitted electronically to CARB pursuant to California's Oil and Gas Regulation pursuant to 17 CCR § 95674 (b)(2)(A) by January 1, 2018 satisfy this requirement, provided the application includes the District's Permit to Operate facility identification number most closely associated with the equipment to be registered.*

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- 5.2 *The owner or operator of newly equipment installed at an Equipment Site or Registered Equipment transferred from a different owner or operator shall submit a registration application within 7 days of the addition of equipment, removal of equipment, or transfer of equipment.*
- 5.3 *Owners or operators of Registered Equipment shall notify the District in writing within 7 days of transferring the Registered Equipment to a different owner or operator.*
- 5.4 *Existing equipment that becomes subject to the requirements of California's Oil and Gas Regulation through loss of exemption shall submit an electronic application in a format specified by the District within 60 days of loss of exemption.*
- 5.5 *Replacement of existing Registered Equipment with equipment of the same Equipment Type at the same Equipment Site is exempt from the registration application requirements of this rule.*
- 5.6 *The District shall issue the registration within 90 days of receipt of a complete registration application.*
- 5.7 *Registered Equipment shall not be transferred from one Equipment Site to another, unless an application for transfer of location is filed with the District no later than 7 days after initial operation at the new Equipment Site.*
- 5.8 *Administrative Change to an existing registration does not require the submittal of a registration application.*
- 5.9 *Initial registrations shall be valid for a period of up to 5 years or until the expiration date of the Stationary Source's Permits to Operate, whichever is sooner. The District shall renew the registration every five years pending the payment of all applicable annual fees and compliance with all applicable requirements.*
- 5.10 *Equipment subject to this rule is subject to District Rule 3156 (Fees for Registration of Equipment Subject to California's Oil and Gas Regulation).*
- 5.11 *All reporting shall be submitted to the California Air Resources Board, in accordance with California's Oil and Gas Regulation.*
- 5.12 *Nothing in this rule waives any requirement of any District rule or regulation.*

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## 6.0 Registration Application

This section specifies the minimum information to be submitted with an application for registration. The District will be working closely with CARB and the regulated industry to develop an application form to facilitate the consistent submittal of information and result in streamlined issuance of registrations.

The proposed rule language is as follows:

*A complete registration application shall include, but is not limited to, the following information:*

- 6.1 The owner or operator's name and contact information;*
- 6.2 The address or location of each Facility with equipment subject to this rule;*
- 6.3 The District's Permit to Operate facility identification number most closely associated with the equipment to be registered;*
- 6.4 A description of all equipment covered by this rule located at each Facility including the following:*
  - 6.4.1 The number of crude oil or natural gas wells at the Facility;*
  - 6.4.2 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;*
  - 6.4.3 The annual crude oil, natural gas, and water production of the Facility;*
  - 6.4.4 A list identifying all reciprocating and centrifugal gas compressors at the Facility;*
  - 6.4.5 A count of all natural gas powered pneumatic devices and pumps at the Facility;*
  - 6.4.6 The location of each piece of Registered Equipment at the Facility (UTM or latitude/longitude); and*
  - 6.4.7 For each Equipment Type of Registered Equipment, the corresponding District permit numbers, if applicable, of all District permits issued for the Registered Equipment.*

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- 6.5 *An attestation that all information provided in the registration application is provided by a party authorized by the owner or operator to do so, and that the information is true and correct.*

## 7.0 Registration Content

This section of the rule specifies the minimum information that will be included in registrations issued by the District. The proposed rule language is as follows:

*Each registration issued under this rule shall include, at a minimum, the following:*

- 7.1 *Facility name, District Permit to Operate facility identification number, and mailing address;*
- 7.2 *A list of equipment subject to the registration;*
- 7.3 *Location where the equipment will be operated;*
- 7.4 *List of all applicable requirements at the time of registration issuance or renewal;*
- 7.5 *The registration expiration date; and*
- 7.6 *The registration number.*

## **B. Rule 3156 Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation**

Staff held a public scoping meeting on June 6, 2017 to present possible options on methods to implement California's Oil and Gas Regulation. As part of the scoping meeting the District discussed its costs of implementing California's Oil and Gas Regulation.

While the District intends to implement all feasible streamlining efforts in implementing the rule, reduce to the extent feasible the workload for District staff and the associated cost.

In preliminary discussions with CARB staff, they indicated that the State budget will included funding for California Districts to assist in recovering their costs for implementing California's Oil and Gas Regulation.

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The funding expected in the State budget is a total of \$2 million in 2018 and a total of \$1.5 million per year thereafter to assist Districts in California to recover their costs of implementing California's Oil and Gas Regulation. CARB staff has indicated that these funds would be distributed to California Districts that will be implementing and enforcing California's Oil and Gas Regulation. The District's portion of this funding will be utilized to recover all or a portion of the costs of District implementation California's Oil and Gas Regulation.

However, if the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the Districts costs of implementing Rule 2260, the District must collect registration program fees from facilities subject to Rule 2260 to recover its costs of implementing California's Oil and Gas Regulation.

The District intends to develop a registration application system that will allow facilities to submit registration applications online. This online submittal of applications will require only minimal staff time in processing and issuing the registrations provided the applications are submitted in a District approved electronic format. Due to the streamlining of registration application submittals and issuance of registrations, no fees will be required for applications submitted in a District approved electronic format.

Annual registration fees are specified according to budgeted costs attributed for enforcement of the different standards specified in California's Oil and Gas Regulation. In establishing the fees to implement Rule 2260, the District examined the staff time required to perform similar duties as required by existing District rules. The fees described below reflect the actual costs of implementing Rule 2260 after implementing all identified streamlining efforts.

The following discussion describes draft Rule 3156 Fees For Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation.

The components of Rule 3156 include:

### 1.0 Purpose

This section identifies the purpose of the proposed rule. Proposed rule language is as follows:

*The purpose of this rule is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).*

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## 2.0 Applicability

This section identifies the applicability of the proposed rule. Proposed rule language is as follows:

*This rule is applicable to owners or operators of equipment subject to Rule 2260 (Registration Requirements for Equipment Subject to California's Greenhouse Gas Oil and Gas Regulation).*

## 3.0 Definitions

Definitions are provided for rule explanation and guidance. Proposed rule language is as follows:

*Unless otherwise defined, terms used in this rule are defined in Rule 2260 (Registration Requirements for Equipment Subject to California's Greenhouse Gas Oil and Gas Regulation) and in California's Greenhouse Gas Oil and Gas Regulation.*

3.1 *CARB: California Air Resources Board*

3.2 *Fiscal Year: The 12-month period between July 1 and the following June 30, inclusive.*

## 4.0 Registration Fees

As stated above, the District is expecting to be reimbursed from the State for the costs of implementing California's Oil and Gas Regulation. However, if no funds are available or if insufficient funds are available the District The District will recover the costs of implementing California's Oil and Gas Regulation from facilities subject to the California's Oil and Gas Regulation.

Proposed rule language is as follows:

4.1 *Registration Application Filing Fee:*

4.1.1 *An application filing fee is not required for registration applications submitted electronically in a format specified by the District.*

4.1.2 *The owner or operator of a Facility subject to Rule 2260 shall pay a data processing fee for the processing of applications not submitted electronically in a format specified by the District. The fee shall be calculated using the staff hours*

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*expended and the prevailing weighted labor rate. Notwithstanding the provisions of Section 5.0, such fee shall be invoiced upon issuance of the registration.*

4.2 *Annual Registered Equipment Fee: The owner or operator of a Facility subject to Rule 2260 is subject to the following annual fee schedules shown in Table 1 below.*

Table 1: Annual Registered Equipment Fees

| <b>Oil and Gas Production</b>   |                       |
|---|-----------------------|
| Schedule  | Cost<br>(\$ per year) |
| A - Each Separator and Tank System subject to flash testing   | \$60                  |
| B - Each Separator and Tank System subject to Leak Detection and Repair                                 | \$90                  |
| C - All Circulation Tanks for Well Stimulation Treatments at a Facility                                 | \$90                  |
| D - All Reciprocating and Centrifugal Natural Gas Compressors at a Facility                             | \$190                 |
| E - All Natural Gas Powered Pneumatic Devices and Pumps at a Facility (per 25 units or portion thereof) | \$145                 |
| F - All Liquids Unloading of Natural Gas Wells at a Facility  | \$70                  |
| G - All Well Casing Vents at a Facility   | \$60                  |
| H - Natural Gas Processing Plant  | \$90                  |
| I - Natural Gas Production Operation (per 10 wells or portion thereof)                                  | \$135                 |
| J - Crude Oil Production Operation (per 10 wells or portion thereof)                                    | \$100                 |
| <b>Natural Gas Underground Storage</b>  |                       |
| Schedule  | Cost<br>(\$ per year) |
| K - Separator System (per unit)   | \$90                  |
| L - Dehydration System (per glycol unit)  | \$300                 |
| M - Odorizer Skid (per skid)  | \$30                  |
| N - Production/Injection Wells (per 10 wells or portion thereof)  | \$135                 |
| O - All Reciprocating and Centrifugal Natural Gas Compressors at a Facility                             | \$190                 |

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## 5.0 Registration Fee Notification

As stated above, the District is expecting to be reimbursed from the State for the costs of implementing California's Oil and Gas Regulation. However, if no funds are available or if insufficient funds are available the District, the District will recover the costs of implementing California's Oil and Gas Regulation from facilities subject to the California's Oil and Gas Regulation.

If the District is fully reimbursed by CARB for the budgeted costs of implementing Rule 2260, no fees will be due for facilities subject to Rule 2260. If the District is reimbursed for a portion of its budgeted costs of implementing Rule 2260, all facilities will be assessed a fee on a prorated basis for the balance of the Districts costs that have not been reimbursed by CARB.

Proposed rule language is as follows:

- 5.1 *Registration program fees due for each Facility shall be determined as follows:*
  - 5.1.1 *By July 1 of each Fiscal Year, District costs to implement Rule 2260 shall be determined for that Fiscal Year (as determined in the District's Fiscal Year Budget). District costs are all costs associated with the program, including, but not limited to, staff time required to develop and modify the registration program, process and issue initial registrations, modify existing registrations, conduct ongoing inspections, and perform related support activities. District costs shall be based on Registrations in effect on July 1 of each Fiscal Year.*
  - 5.1.2 *If the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the District costs of implementing Rule 2260 (as specified in section 5.2.1), the District shall collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs to implement Rule 2260 pursuant to Section 5.2.4.*
  - 5.1.3 *The annual fee for each Facility shall be reduced by a prorated portion of the funds provided by CARB, determined as follows:*

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- 5.1.3.1 *Determine the program funds balance: total District costs to implement Rule 2260 (determined per section 5.2.1) reduced by the annual funds received from CARB. If the program funds balance is less than or equal to zero, no registration program fees are due from individual Facilities;*
- 5.1.3.2 *Determine the Facility's ratio: the Annual Registered Equipment Fees that should have been paid by each facility according to Section 4.0, Registration Fees, divided by the total Annual Registered Equipment Fees for all Facilities.*
- 5.1.3.3 *Multiply the program funds balance by the Facility's ratio to determine the Registration Program Fee due from the Facility.*
- 5.1.4 *If no funds are provided by CARB, the Registration Program Fees due by each Facility are those specified in Section 4.0, Registration Fees of this rule.*
- 5.2 *If there are Registration Program Fees due for a Facility, the District shall provide the owner or operator with an invoice for the Registration Program Fees within 30 days District receipt of annual implementation funds from CARB.*
- 5.3 *Registration Program Fees shall be due within 60 days of the date of the District invoice.*
- 5.4 *Registration Program Fees not paid in accordance with deadlines specified in this section shall be subject to late fees in accordance with the schedule provided in Rule 3010, Section 11.0, Late Fees.*
- 5.5 *Nonpayment of registration fees and all related late fees within 90 days of the original invoice date may result in suspension or cancellation of the registration.*

**IV. RULE AMENDMENT PROCESS**

**A. Public Workshop**

District staff hosted a public scoping meeting on June 6, 2017 to solicit input on implementation options for California's Oil and Gas Regulation. A public workshop is scheduled for October 20, 2017 to present the draft rule. The focus of the public workshop is to present the proposed rules and to solicit public feedback. The public workshop will be held via video conferencing in all three District offices and will be livestreamed using the webcast.

Comments received by October 30, 2017, will be addressed in the final staff report that will be presented with the proposed rule for the Governing Board's consideration.

**B. Public Hearing**

In accordance with California Health and Safety Code (CH&SC) Section 40725, the proposed District Rule 2260 and 3156 and final draft staff report will be publicly noticed and made available on the District's website prior to the Governing Board public hearing to consider adoption of the proposed rules. The adoption hearing is tentatively scheduled for December 21, 2017.

**V. COST EFFECTIVENESS AND SOCIOECONOMIC IMPACT ANALYSES**

Pursuant to State law, the District is required to analyze the cost effectiveness of any proposed rule that implements Best Available Retrofit Control Technology (BARCT). The draft rules do not add BARCT requirements. Therefore, the rules are not subject to the cost effectiveness analysis mandate.

Pursuant to State law, the District is also required to analyze the socioeconomic impacts of any proposed rule that significantly affects air quality or strengthens an emission limitation. The draft rules will have neither effect, since they are merely setting forth an administrative process by which to comply with the existing California's Oil and Gas Regulation; therefore, the draft rules are not subject to the socioeconomic analysis mandate.

**VI. RULE CONSISTENCY ANALYSIS**

Pursuant to CH&SC Section 40727.2 (g) a rule consistency analysis of the draft rules are not required, because the draft rules do not strengthen emission limits or impose more stringent monitoring, reporting, or recordkeeping requirements.

# SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

## VII. ENVIRONMENTAL IMPACTS

The purpose of Rule 2260 is to provide facilities with a registration that satisfies the requirements of, and will ensure compliance with, the California Air Resources Board (ARB) requirements of the California Code of Regulations Title 17, Division 3, Chapter 1, Subchapter 10: Climate Change, Article 4, Subarticle 13: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities. The purpose of Rule 3156 is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260.

The District's adoption of rules to enforce ARB rules and regulations has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment (CEQA Guidelines Section 15378(a)) because ARB rules and regulations are in effect whether or not the District takes action, and ARB will directly enforce the regulations if the District chooses not to. According to Section 15378 (b)(5) of the CEQA Guidelines, organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not included within the definition of a "project" which is subject to CEQA.

In addition, CEQA Guidelines Section 15061(b)(3) provides, "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." The District finds that the proposed rules consist exclusively of enforcing ARB regulations through a registration requirement without involving any new emissions requirements, and that no significant environmental impacts will occur due to the adoption of these rules. Therefore, the rules are exempt from CEQA.

Therefore, pursuant to Section 15062 of the CEQA Guidelines, staff will file a Notice of Exemption upon Governing Board approval of Rule 2260 and Rule 3156.