

Yolo-Solano Air Quality Management District  
1947 Galileo Court, Suite 103  
Davis, CA 95618  
(530) 757-3650  
[www.ysaqmd.org](http://www.ysaqmd.org)



**YOLO-SOLANO**  
AIR QUALITY MANAGEMENT DISTRICT

**PROPOSED ADOPTION OF  
RULE 3.26, OIL AND GAS REGISTRATION**

DRAFT STAFF REPORT

August 14, 2019

Prepared by: Benjamin Beattie, Engineering Manager

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## I. EXECUTIVE SUMMARY

On Month XX, 2019, the Yolo-Solano Air Quality Management District (District) Board of Directors will consider the adoption of RULE 3.26, Oil and Gas Registration. Rule 3.26 is being adopted to satisfy the requirements of the Memorandum of Agreement entered by the District with the California Air Resources Board (CARB) on June 27, 2018, to implement the requirements of the California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4, Subarticle 13: Greenhouse Gas Emissions Standards for Crude Oil and Natural Gas Facilities (COGR). Rule 3.26 applies to all owners and operators of equipment subject to the COGR.

The proposed rule will not have a significant or detrimental effect on the environment. Therefore, staff prepared a Notice of Exemption to satisfy the requirements of the California Environmental Quality Act (CEQA). The notice states that the adoption of Rule 3.26 is exempt from the requirements of CEQA pursuant to Section 15308, Actions by Regulatory Agencies for Protection of the Environment.

### A. BACKGROUND

#### History

In March of 2017, the California Air Resources Board (CARB) adopted the COGR. This regulation establishes greenhouse gas emission standards for crude oil and natural gas facilities located in California.

#### Overview of Source Category

This rule applies to oil and gas facilities including oil and gas production, processing, and storage facilities; natural gas gathering and boosting stations; natural gas underground storage facilities; and natural gas transmission compressor stations. The regulation includes standards for separator and tank systems, circulation tanks, Leak Detection and Repair (LDAR), underground natural gas storage monitoring, natural gas compressors, and natural gas powered pneumatic devices and pumps. There will also be recordkeeping and reporting requirements.

## II. DISCUSSION OF PROPOSED RULE 3.26

The proposed sections of Rule 3.26 are as follows:

### **Section 101 PURPOSE**

The purpose of this Rule is to provide an administrative mechanism for the registration that satisfies the requirements of and will ensure compliance with COGR.

### **Section 102 APPLICABILITY**

As proposed, the provisions of this rule shall apply to owners and operators of equipment subject to COGR.

### **Section 200 DEFINITIONS**

The Rule proposes to define a total of 10 terms in order to adequately describe all aspects of the rule

and its requirements.

**Section 300 STANDARDS**

This section of the Rule includes the requirements for a registration, the standards under which a registration will be issued, standards to which subject facilities will be held, and conditions associated with the transfer of a registration, District right of entry, and violations.

**Section 400 ADMINISTRATIVE REQUIREMENTS**

This section of the Rule includes specific requirements for applying for a registration, conditional approval of a registration, revisions to a registration, the term of a registration, registration appeals, and reporting.

**Section 500 MONITORING AND RECORDS**

This section of the Rule includes record keeping and record retention requirements.

**Section 600 FEES**

This section of the Rule provides the mechanism for District registration fee collection, should current CARB grant funding cease to adequately fund the program.

**III. COMPARISON WITH OTHER APPLICABLE REGULATIONS AND REQUIREMENTS**

Health and Safety Code Section 40727.2 requires districts to prepare a written analysis (usually in the form of a matrix) that identifies all existing federal air pollution control requirements, including, but not limited to, emission control standards constituting best available control technology (BACT) that apply to the same equipment or source type as the rule or regulation proposed for adoption or modification by the District. In addition, the analysis shall identify any other District rule or regulation that applies to the same equipment or source type. Since there are no new control standards being proposed with this rule, this requirement is not applicable.

**IV. IMPACTS OF THE PROPOSED RULE**

Emissions Impacts

Proposed Rule 3.26 establishes a registration program for facilities subject to the COGR, but does not establish new emission control measures itself. This rule will provide an administrative mechanism to enforce the COGR. Proposed Rule 3.26 will, at the minimum, maintain the air quality attainment status of the District.

Cost Effectiveness

Section 40703 of the CH&SC requires that the District consider and make public its findings relating to the cost effectiveness of implementing an emission control measure.

Proposed Rule 3.26 establishes a registration program for oil and gas facilities. The rule does not establish new emission control measures. The costs to sources associated with the proposed rule

are potential District fees for registration applications, transfers, and annual registration fees.

The cost to the District for maintaining the new oil and gas registration program is expected to be offset by grant funding from CARB and/or the program fees established in Section 600, Fees, of proposed Rule 3.26.

#### Socioeconomic Impacts

CH&SC Section 40728.5 (a) requires the District, in the process of the adoption of any rule or regulation, to consider the socioeconomic impact if air quality or emission limits may be significantly affected. However, districts with a population of less than 500,000 persons are exempt from the provisions of Section 40728.5 (a). The District's population is estimated to be approximately 345,000 and below the 500,000 person threshold. Therefore, a socioeconomic analysis for this rule-making is not required.

#### Incremental Cost Effectiveness

CH&SC Section 40920.6 requires an assessment of the incremental cost-effectiveness for proposed regulations relative to ozone, Carbon Monoxide (CO), Sulfur Oxides (SOx), Nitrogen Oxides (NOx), and their precursors. Incremental cost-effectiveness is defined as the difference in control costs divided by the difference in emission reductions between two potential control options that can achieve the same emission reduction goal of a regulation. Since the proposed rule does not establish emission control measures, an incremental cost effectiveness evaluation is not applicable.

#### Impacts to the District

It is anticipated that the proposed rule will require the registration of approximately 38 oil and gas facilities operating 261 natural gas wells and associated equipment. The work associated with this program is split into two phases, initial program development and ongoing program activities.

The initial program development will include outreach to affected sources and other stakeholders, development of the registration rule and staff report, database updates, and initial facility registration and inspection. The District was awarded a grant from CARB in the amount of \$242,000 which will cover the costs associated with these tasks.

Ongoing program activities will include new registration issuance, registration renewal, and ongoing inspections. It is anticipated that the cost associated with these tasks will total approximately one half of a full-time employee or \$112,320 per year (\$108 time and materials rate for FY 2019/2020 multiplied by 1,040 hours per year). The District has been awarded ongoing grant funding by CARB in the amount of \$100,000 that is expected to cover these costs.

In the event that CARB cuts the ongoing grant funding, the District will implement the fee structure included in Section 600 of the proposed Rule in order to recover costs.

## **V. ENVIRONMENTAL IMPACTS OF METHODS OF COMPLIANCE**

California Public Resource Code Section 21159 requires the District to perform an environmental analysis of the reasonably foreseeable methods of compliance. The analysis must include the

following information:

1. An analysis of the reasonably foreseeable environmental impacts of the methods of compliance.
2. An analysis of the reasonably foreseeable mitigation measures.
3. An analysis of the reasonably foreseeable alternative means of compliance with the rule or regulation.

The proposed rule includes only administrative requirements. Therefore, the District does not expect any change in emissions from this rule, and an evaluation under this section cannot be performed.

Staff has determined that the project is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15308, Actions by Regulatory Agencies for Protection of the Environment. Staff prepared a Notice of Exemption (NOE) to meet the CEQA Guidelines (Attachment B).

## VI. REGULATORY FINDINGS

Section 40727(a) of the California Health & Safety Code (H&SC) requires that prior to adopting or amending a rule or regulation, an air district's board make findings of necessity, authority, clarity, consistency, nonduplication, and reference. The findings must be based on the following:

1. Information presented in the District's written analysis, prepared pursuant to H&SC Section 40727.2;
2. Information contained in the rulemaking records pursuant to H&SC Section 40728; and
3. Relevant information presented at the Board's hearing for adoption of the rule.

The required findings are:

Necessity: It is necessary for the District to adopt this rule in order to effectively administer the COGR to affected sources.

Authority: The District is authorized to adopt rules and regulations by California Health and Safety Code, Sections 40001, 40702, 40716, 41010 and 41013. [H&SC Section 40727 (b)(2)]

Clarity: The proposed rule is written so that the meaning can be easily understood by the persons directly affected by it. In addition, the record contains no evidence that the persons directly affected by the rule cannot understand the rule. [H&SC Section 40727(b)(3)]

Consistency: The proposed rule does not conflict with and is not contradictory to, existing statutes, court decisions, or state or federal regulations. [H&SC Section 40727(b)(4)]

Non-Duplication: The proposed rule does not duplicate any state laws or regulations, regarding the attainment and maintenance of state and federal air quality limits. [H&SC Section 40727(b)(5)]

Reference: The District must refer to any statute, court decision, or other provision of law that the District implements, interprets, or makes specific by adopting, amending or repealing the rule. [H&SC Section 40727(b)(6)]

**VII. PUBLIC COMMENTS AND STAFF RESPONSES**

Staff will hold a public workshop on September 3, 2019, to discuss the proposed Rule 3.26. Notification will be sent to surrounding Air Districts, City Managers within the District, building/planning/community development departments within the YSAQMD, all city and county libraries within the District, all Board Members, and all affected sources. The workshop notice will be published in the Vacaville Reporter, Woodland Democrat, and the Davis Enterprise.

A copy of the public workshop notice, the draft staff report, and draft rule language, will be posted on the District’s web page prior to the public workshop.

**VIII. REFERENCES**

- 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

**ATTACHMENT A**

**PROPOSED RULE 3.26, OIL AND GAS REGISTRATION  
STRIKE-OUT UNDERLINE VERSION**

## **RULE 3.26 OIL AND GAS EQUIPMENT REGISTRATION**

**ADOPTED Month XX, 2019**

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DRAFT

## 100 GENERAL

101 **PURPOSE:** The purpose of this Rule is to provide an administrative mechanism for the registration that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation (COGR).

102 **APPLICABILITY:** This Rule is applicable to owners and operators of equipment subject to COGR.

103 **SEVERABILITY:** If any section, subsection, sentence, clause, phrase or portion of this Rule is, for any reason, held invalid, unconstitutional, or unenforceable by any court of competent jurisdiction, that portion shall be deemed as a separate, distinct and independent provision, and the holding shall not affect the validity of the remaining portions of the Rule.

200 **DEFINITIONS:** Except as defined below, the terms used in this Rule are the same as defined in District Rule 1.1.

201 **ACTIVE WELL:** Any well used for natural gas production that is not an idle well or a plugged and abandoned well.

202 **ADMINISTRATIVE CHANGE:** Minor changes to Registrations including, but not limited to correction of typographical errors, removal of registered equipment from a facility, and/or transfer of location of registered equipment within a facility.

203 **CARB:** The California Air Resources Board

204 **COGR:** Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, California Code of Regulations, 17 CCR §95665-§95677.

205 **FACILITY:** Any building, structure, or installation to which COGR applies and which has the potential to emit natural gas.

206 **IDLE WELL:** A well that has not either produced oil or natural gas, produced water to be used in production stimulation, or been used for enhanced oil recovery, reservoir pressure management, or injection for a period of twenty-four (24) consecutive months.

207 **NATURAL GAS STORAGE FACILITY:** Any facility associated with the temporary subsurface storage of natural gas in depleted crude oil or natural gas reservoirs or salt dome caverns.

208 **PLUGGED AND ABANDONED WELL:** A well that has been abandoned in accordance with Public Resources Code §3208.

209 **REGISTRATION:** A certificate issued by the District acknowledging expected compliance with all applicable requirements at the time the certificate is issued.

210 **REGULATED EQUIPMENT:** Equipment having specific requirements under COGR

### 300 **STANDARDS**

301 **REGISTRATION:** The owner or operator of any equipment which is subject to COGR shall obtain and maintain a registration from the District, according to the compliance schedule in Section 402 of this Rule.

302 **STANDARDS FOR GRANTING APPLICATIONS:** Except as provided in this Rule, the Air Pollution Control Officer (APCO) shall deny an application for a registration if the applicant does not show that the equipment subject to this registration requirement is so designed, controlled, equipped, and operated with such air pollution control equipment, that it may be shown to operate in compliance with District Rules and Regulations, or any state or federal statutes or regulations that may be enforceable by the APCO.

303 **STANDARDS:** The owner or operator of any equipment subject to COGR shall operate all subject equipment in accordance with the standards set in 17 CCR § 95668.

304 **TRANSFER OF EQUIPMENT:** Registrations shall not be transferable, by operation of law or otherwise, from one facility to another.

305 **RIGHT OF ENTRY:** The "right of entry" as delineated by California Health and Safety Code §41510 shall apply at all times.

306 **VIOLATIONS:** Failure to comply with any provision of this Rule or any condition of a registration issued under this Rule shall constitute a violation of this Rule. The owner or operator shall be liable for any penalties assessed in accordance with the California Health and Safety Code §42400.

### 400 **ADMINISTRATIVE REQUIREMENTS**

#### 401 **APPLICATION REQUIREMENTS:**

401.1 **REGISTRATION:** Requests for a registration shall be initiated by an owner

or operator filing a District registration application for each facility subject to the Rule according to the compliance schedule in Section 402 below together with the fees set out in Section 604 of this Rule, if applicable.

401.2 REGISTRATION REQUIREMENTS: Requests for a registration shall include a complete application form and shall include: The owner or operator's name and contact information; The address or location of each Facility with Regulated Equipment subject to this Rule; and The District's Permit to Operate facility identification number(s) most closely associated with the facility.

402 COMPLIANCE SCHEDULE:

402.1 EXISTING FACILITIES: Existing facilities operating as of the effective date of this Rule must submit a registration application by 12/31/2019.

402.2 NEW FACILITIES: New facilities must submit a registration application within thirty (30) days of start of operation.

403 CONDITIONAL APPROVAL: The APCO may include written conditions on any registration to ensure compliance with all applicable District, State, or Federal requirements.

404 REGISTRATION REOPENING: The APCO may reopen and revise a registration under the following circumstances:

404.1 To correct a material mistake or an inaccurate statement.

404.2 To incorporate any new, revised, or additional applicable requirements.

405 TERM OF REGISTRATION: Registrations are valid for up to five (5) years provided that the facility is in compliance with all District requirements and have paid the Annual Registration Fees in Section 603 of this Rule, if applicable.

406 APPLICATION REQUIREMENT - TRANSFER OF OWNERSHIP: An application for the transfer of ownership of a registration shall be submitted together with the fees set out in Section 604 of this Rule, if applicable, prior to operation of the equipment by the new owner. The transferred registration shall have the same expiration date as the original registration.

407 APPEALS: Within thirty (30) days after notice by the APCO of denial or approval of an application submitted pursuant to this Rule, the applicant may petition the

Hearing Board, in accordance with District Rule 5.1, for a public hearing. The Hearing Board, after notice and a public hearing, may sustain or reverse the action of the APCO; such order may be made subject to specified conditions.

#### **408 REPORTING:**

408.1 The owner or operator shall comply with all reporting requirements listed in 17 CCR §95673.

408.2 The owner or operator of a facility subject to the Leak Detection and Repair requirements of COGR shall submit leak detection and repair inspection reports to the District for review no later than thirty (30) days after the end of the calendar quarter in which the inspection was conducted.

#### **500 MONITORING AND RECORDS**

501 RECORD KEEPING: The owner or operator shall comply with all record keeping requirements listed in 17 CCR §95672 .

502 RECORD RETENTION: All records required by this Rule shall be maintained on site for a period of five (5) years and made available to the APCO upon request.

#### **600 FEES**

601 REGISTRATION FEES: Financial support for this Rule is currently provided through CARB. The fee structure presented in Section 602 through Section 606 become applicable only if CARB funding fails to meet the estimated cost recovery amount of \$100,000 per year.

602 APPLICATION FEE: A fee of \$1,000 shall be submitted with each registration application. Registration fees cannot be refunded or applied to any other registration.

603 ANNUAL REGISTRATION FEES: Annual registration fees will be calculated based upon the equipment included in the registration and assessed on all active registrations on the first day of each calendar year:

603.1 Registration Renewal Fee: \$500 per registration

603.2 Active Wells: \$560 per active well

603.3 Idle Wells: \$60 per inactive well

603.4 Natural Gas Storage Facility: \$10,000 per natural gas storage facility

- 604 **REGISTRATION TRANSFER FEE:** A fee equal to two (2) hours at the time and materials labor rate, established in District Rule 4.1, shall be charged for transfer applications filed in accordance with Section 406 of this Rule. The fee shall be submitted at the time of application, if applicable.
- 605 **NOTIFICATION OF FEES DUE:** The owner or operator will be notified by mail of fees due and payable and the date the fees are due. If the fees are not paid by the specified due date, the District shall assess a penalty of not more than fifty (50) percent of the fees due. If the fees and penalty are not paid within thirty (30) days after notice, the registration will be cancelled and the owner or operator will be notified by mail. If the fees and penalty amounts are subsequently submitted within 1 year, the registration may be re-instated.
- 606 **TIME AND MATERIALS RATE:** In each of the above Sections referring to the time and materials Rate in District Rule 4.1, the fees shall be calculated using the rate for the current Fiscal Year.
- 607 **CONSUMER PRICE INDEXING OF FEES:** The Air Pollution Control Officer may adjust the registration fees prescribed by this Rule on an annual basis following approval of the budget by the District Board of Directors. The rate change shall be determined considering the actual permitting program related costs and the California Consumer Price Index for the preceding fiscal year as provided in California Health and Safety Code §42311(a). The rate change shall be noticed pursuant to California Health and Safety Code §40131 and presented to the District's Board of Directors at the annual budget hearing.

**ATTACHMENT B**

**NOTICE OF EXEMPTION FROM CEQA GUIDELINES**

**NOTICE OF EXEMPTION**

To:  Office of Planning & Research  
1400 10th Street, Suite 100  
Sacramento, CA 95814

Yolo County Clerk/Recorder  
625 Court Street, Room B01  
Woodland, CA 95695

Solano County Assessor/Recorder  
675 Texas Street, Suite 2700  
Fairfield CA 94533-6338

From: Yolo-Solano Air Quality Management District  
1947 Galileo Ct., Suite 103  
Davis, CA 95618

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Project Title: Adoption of Rule 3.26 - OIL AND GAS REGISTRATION

Project Location: Yolo-Solano Air Quality Management District

Project Description: The District is proposing to adopt Rule 3.26, OIL AND GAS REGISTRATION. The District is proposing to adopt registration requirements for facilities subject to the California Oil and Gas Regulation.

Name of Agency Approving Project: **Yolo-Solano Air Quality Management District**

Name of Person/Agency carrying Out Project: **Yolo-Solano Air Quality Management District**

Exempt Status

- Ministerial
- Emergency Project
- Categorical Exemption
- Statutory Exemption

Reason Why Project is Exempt: The adoption of Rule 3.26 is an action taken to maintain and protect the environment and is therefore exempt from CEQA because it constitutes a Class 8 categorical exemption pursuant to CEQA Guidelines 15308.

Lead Agency Contact Person: Mat Ehrhardt, Executive Director/APCO

Phone Number: (530) 757-3650

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

**NOTICE OF EXEMPTION**

To:  Office of Planning & Research  
1400 10th Street, Suite 100  
Sacramento, CA 95814

Yolo County Clerk/Recorder  
625 Court Street, Room B01  
Woodland, CA 95695

Solano County Assessor/Recorder  
675 Texas Street, Suite 2700  
Fairfield CA 94533-6338

From: Yolo-Solano Air Quality Management District  
1947 Galileo Ct., Suite 103  
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Lead Agency Contact Person: Mat Ehrhardt, Executive Director/APCO

Phone Number: (530) 757-3650

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT C**

**RESOLUTION NO. 19-08**

RESOLUTION NO. 19-08

RESOLUTION ADOPTING YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT RULE 3.26

**WHEREAS**, California Health and Safety Code section 40702 provides that an air quality management district shall adopt rules and regulations as may be necessary or proper to execute the powers and duties granted to, and imposed upon, the district by Division 26 of the Health and Safety Code; and

**WHEREAS**, Health and Safety Code section 40727 provides that before adopting, amending, or repealing a rule or regulation, a district board shall make findings of necessity, authority, clarity, consistency, nonduplication, and reference, based upon information developed pursuant to section 40727.2, information in the rulemaking record maintained pursuant to section 40728, and relevant information presented at the public hearing required by section 40725; and

**WHEREAS**, section 15308 of the CEQA Guidelines provides that actions taken by regulatory agencies as authorized by state law to assure the maintenance, restoration, or enhancement of the environment where the regulatory process involves procedures for protection of the environment, are categorically exempt from CEQA review (Class 8 Categorical Exemption); and

**WHEREAS**, the District signed a Memorandum of Agreement (MOA) with the Air Resources Board agreeing to enforce the California Oil & Gas Regulation.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Yolo-Solano Air Quality Management District hereby finds, authorizes, directs and declares as follows:

1. The Board of Directors has considered and hereby adopts by reference the staff report prepared in this matter.
2. The Board of Directors makes the following findings pursuant to Health and Safety Code section 40727:
  - a. Necessity: Information in the District's rulemaking record maintained pursuant to Health and Safety Code section 40728 demonstrates a need for adopting District Rule 3.26;
  - b. Authority: Health and Safety Code section 40702 permits the District to adopt District Rule 3.26;
  - c. Clarity: District Rule 3.26 as adopted is written so that its meaning can be easily understood by the persons directly affected by it;

- d. Consistency: District Rule 3.26 as adopted is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations;
  - e. Nonduplication: District Rule 3.26 as adopted does not impose the same requirements as an existing state or federal regulation;
  - f. Reference: By adopting District Rule 3.26, the District meets the requirements of Health & Safety Code Sections 40702.
- 3. The Board of Directors finds that the District has complied with the procedural requirements set forth in Chapters 6 and 6.5 of Part 3 of Division 26 of the Health and Safety Code.
  - 4. The Board of Directors finds that District Rule 3.26 is an action taken by a regulatory agency as authorized by state law to assure the maintenance, restoration, or enhancement of the environment where the regulatory process involves procedures for protection of the environment, and is therefore categorically exempt from CEQA review as a Class 8 Categorical Exemption.
  - 5. The Board of Directors hereby adopts District Rule 3.26 as set forth in Exhibit 1 (Attachment A of the Staff Report), which is attached and incorporated by reference. The adoption is effective MONTH XX, 2019.

**PASSED AND ADOPTED** by the Board of Directors of the Yolo-Solano Air Quality Management District this XXth day of MONTH, 2019, by the following vote:

Ayes:

Noes:

Absent:

Abstain:

\_\_\_\_\_  
Tom Stallard, Chair Board of Directors  
Yolo-Solano Air Quality Management District

Attest:

Approved as to Form:

\_\_\_\_\_  
Denise Almaguer, Clerk  
Board of Directors

\_\_\_\_\_  
Hope Welton, District Counsel

**ATTACHMENT D**

**WRITTEN COMMENTS RECEIVED**