Date of Hearing: May 20, 2015

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Jimmy Gomez, Chair
AB 356 (Williams) – As Amended May 5, 2015

Policy Committee: Natural Resources Vote: 6 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill requires groundwater management plans for all underground injection projects and requires public hearings before the Division of Oil, Gas and Geothermal (DOGGR) can exempt an aquifer. Specifically, **this bill:**

1) Authorizes the Supervisor of DOGGR to require a well operator to implement a monitoring program for underground oil production tanks and facilities, and disposal and injection wells. Requires DOGGR to annually review all projects for compliance with applicable law.

2) Requires, DOGGR to hold a public hearing and gain concurrence from the State Water Resources Control Board (SWRCB) prior to submitting a proposal to exempt an aquifer to U.S. EPA.

3) Authorizes SWRCB to concur with the proposal only if the following conditions are met:
   a) The proposed aquifer does not, nor will not in the future, serve as a source of drinking water or other beneficial uses.
   b) Injection into the proposed aquifer will not impact the beneficial use of nearby nonexempt aquifers.

4) Requires the operator of a project to submit a groundwater monitoring plan to SWRCB, or the appropriate regional water quality control board (RWQCB), for review and concurrence. Exempts some wells as a specified. Authorizes SRWCB or, the appropriate RWQCB, to revise monitoring plans to avoid duplication and assist with regional monitoring plans associated with oil and gas activities.

5) Authorizes SRWCB, or the appropriate RWQCB, to authorize a well operator to rely on a regional monitoring plan instead of their own monitoring sites.

FISCAL EFFECT:

1) Increased administrative costs for the Department of Conservation (DOC)/DOGGR in the $10 to $15 million range (special fund/fee authority) for DOGGR.

2) Increased costs for SWRCB in the $2 million to $2.5 million range (special fund/fee authority) for SWRCB.

   This bill authorizes, subject to appropriation by the Legislature, DOGGR's fee authority to be used to fund a public entity's costs associated with implementing this article.

3) Potential revenue delay or loss associated from the state's share of oil extraction on lands regulated by the State Lands Commission. The state's share is several million dollars per year, depending on the price of oil.

COMMENTS:

1) **Rationale.** In 1974, the Safe Drinking Water Act gave the U.S. EPA the authority and responsibility to control underground injection to protect underground drinking water sources. In 1982, a primacy agreement was signed that allowed DOGGR to implement the U.S. EPA's UIC program for oil and gas wells in California. According to the author, it has recently been discovered that there were two versions of this agreement, one allowing exemptions for 11 aquifers another denying those exemptions and requiring all existing injection wells into those aquifers be phased out over 18 months.

   A 2011 U.S. EPA audit of DOGGR's UIC program implementation concluded that DOGGR was misclassifying underground sources of drinking water and doing an insufficient job monitoring the UIC program. In June 2014, it was discovered that DOGGR was approving injection wells in nonexempt aquifers. This included injections into the 11 aquifers that were not properly exempted.

   This bill codifies this new procedure to ensure that aquifer exemptions will be thoroughly vetted by DOGGR and SWRCB with public input.

2) **Continuing Discussions.** The author continues to meet with stakeholders, the administration, and proponents and opponents of this bill. The following issues are under discussion and remain unresolved:

   a) Definitions of covered wells

   b) DOGGR's progress on addressing the issues raised by EPA and the potential codification of deadlines.

   c) The application and frequency of well monitoring.

Analysis Prepared by: Jennifer Galehouse / APPR. / (916) 319-2081