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Senate Environmental Resources and Energy Committee

Senator Mary Jo White
Chairman

Patrick Henderson, Executive Director

Room 168 • State Capitol Building
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February 9, 2009

Steven M. Crawford
Secretary for Legislative Affairs
Office of the Governor
238 Main Capitol Building
Harrisburg, PA 17120

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INDEPENDENT REGULATION
COMMISSION

Dear Steve:

Thank you for your letter regarding the Department of Environmental Protection's (DEP) final (proposed omitted) rulemaking regarding permit fees for Marcellus Shale well drilling.

To clarify, the Senate Environmental Resources and Energy Committee is scheduled to consider extending its review period by 14 days when the committee meets on Tuesday, February 10th. At this time, I have not asked my colleagues to vote for a resolution disapproving this regulation.

As you note, DEP has never used a final (proposed-omitted) rulemaking before to raise fees. I am very concerned about the precedent that this action sets. Under this scenario, DEP could assert that each request to raise fees for a particular program is of such urgency that public, committee and IRRC comment should be circumvented.

Last year, the Administration drafted legislation which was introduced in the House of Representatives to increase a variety of fees, including oil and gas permit fees. Well permit fees were slated to rise from \$100 to approximately \$1,500. The current regulation now proposes Marcellus Shale permits to rise to an average of \$2,600. The disparity of these numbers, both of which reflect Administration proposals, reflects the fact that even DEP has some questions as to how much revenue is needed to process new permit applications. All parties would have benefited from a formal comment period.

I am aware that the oil and gas industry has not objected to the final form regulation. Initially, however, they objected quite strongly. My understanding is that the industry agreed to support these fee increases in exchange for favorable action on other permitting issues.

I agree that we must act quickly to ensure that DEP and other permitting agencies have the staff and resources needed to assist in the development of the Marcellus Shale. To that end, I am introducing legislation within the week which will allocate funds from the Oil and Gas Lease Fund to DEP, the Department of Conservation and Natural Resources, the Fish and Boat Commission and the Game Commission for additional permitting and natural diversity

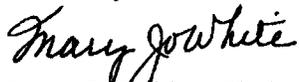
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inventory review. I am hopeful this legislation will move through the General Assembly swiftly with the Governor's support.

Thank you again for sharing your thoughts with me on this subject.

Sincerely,

A handwritten signature in cursive script that reads "Mary Jo White".

Mary Jo White, Chairman
Senate Environmental Resources
& Energy Committee

cc: Senator Scarnati
Senator Pileggi
Senator Mellow
Representative McCall
Representative Eachus
Representative Smith