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Via email to: RIROMAN@pa.gov

Richard N. Roman, P.E. Director, Bureau of Maintenance & Operations Pennsylvania Department of Transportation 400 North Street – 6th Floor Commonwealth Keystone Building Harrisburg, PA 17120

RE: Pennsylvania Department of Transportation Proposed Rulemaking Hauling in Excess of Posted Weight Limit, 67 Pa. Code Chapter 189

Dear Mr. Roman:

The Pennsylvania Independent Oil & Gas Association (PIOGA) is the principal nonprofit trade association representing oil and natural gas producers, drilling contractors, service companies, manufacturers, distributors, professional firms and consultants, royalty owners, and other individuals with interests in Pennsylvania's oil and natural gas industry. PIOGA currently has approximately 750 members. PIOGA member producers are engaged in the production of oil and natural gas from both conventional and unconventional (organic shale) formations. PIOGA submits these comments to PennDOT's above-referenced proposed rulemaking.

PIOGA members are primarily "small businesses" as defined in the Act 76 of 2012, which amended the Regulatory Review Act (RRA) to require agencies to, among other things, minimize the significant economic impact of regulations on small businesses and ensure that small businesses do not bear a disproportionate share of regulatory costs and burdens. RRA, Section 2(c)(2),(8). PIOGA members engaged in the production of oil and natural gas from conventional formations, as well as their service companies and contractors, also use Type 3 (County wide) permits under current Chapter 189 regulations.

PIOGA commends PennDOT for its proposed amendments to accommodate low volume haulers on weight-restricted highways by relieving them of, or reducing, additional costs related to excess maintenance and repair of damages to these highways. As PennDOT discloses (Regulatory Analysis Form, or RAF, Section 10) the mileage of weight-restricted highways has significantly increased since the beginning of the "Unconventional Oil and Gas (UOG)" industry in Pennsylvania "to protect infrastructure from the dramatically increased volume of trucks associated with this industry." These additional costs include the financial obligation to repair highway damages caused by over-posted-weight vehicle traffic as well as those related to

obtaining permits and bonds, road inspections, and potential fines from law enforcement for unauthorized use.

PIOGA understands that many of the proposed amendments are prescribed by statute, namely Act 13 of 2012, Section 7, and Act 89 of 2013. PIOGA's comments seek clarification of some provisions and suggest additional provisions to make sure the benefits intended by PennDOT's proposed amendments are delivered.

1. Wholesale replacement of terms "over-posted-weight vehicle" and "destination"

As an initial matter, while PIOGA understands the reason for the wholesale replacement of the term "over-posted-weight vehicle" with "user vehicle," PIOGA respectfully suggests that (i) the replacement renders superfluous the following language marked as stricken and (ii) the addition of the CAPITALIZED language more appropriately states the intended meaning because, by definition, "user vehicles" have "a gross weight in excess of a posted weight limit":

§ 189.3. Local traffic.

- (a) General rule. [Over-posted-weight local traffic user vehicles may BE DRIVEN ON POSTED HIGHWAYS exceed posted weight limits unless the posting authority determines that [an over-posted-weight] a user vehicle or vehicles being driven to or from a particular [destination or destinations are likely to damage the highway] location or locations are likely to cause damage to the highway. . . .
- (b) [Vehicles] <u>User</u> vehicles determined likely to damage highway. If the posting authority determines that one or more [over-posted-weight] <u>user</u> vehicles are likely to damage the highway, the posting authority will so notify the registrants of the [over-posted-weight] <u>user</u> vehicles or owners of the [destination or destinations] <u>location or locations</u>, or both, and will also notify State and local police. After 2 business days following delivery of the notice, or after 5 days following mailing of the notice, [such over-posted-weight vehicles shall] <u>user vehicles may</u> not <u>exceed the posted weight limits</u> BE DRIVEN ON THE POSTED HIGHWAY except in accordance with [the provisions of] § 189.4 (relating to use under permit).

§ 189.4. Use under permit.

- (a) General rule. No [over-posted-weight vehicle] user vehicles, except local traffic user vehicles authorized under § 189.3(a) (relating to local traffic), shall be driven on a posted highway with a gross weight in excess of the posted weight limit unless the posting authority has issued a permit for the user vehicle or vehicles in accordance with this section. . . .
 - (b) Permit categories. Permit categories include the following:
- (1) <u>Local determination</u>. User vehicles may be authorized to exceed a posted weight limit on BE DRIVEN ON local determination highways without an excess maintenance agreement and security if the user vehicles meet one or more of the following criteria:

. . . .

(2) <u>Annual and seasonal bonded</u>. User vehicles may be authorized to exceed a posted-weight limit on BE DRIVEN ON highways which cannot be authorized under paragraph (1) conditioned upon the user entering an excess maintenance agreement and providing security during the permit authorization period. . . .

Similarly, while the wholesale replacement of the terms "destination" and "destinations" with "location" and "locations" may seem not to change the substantive meaning of the current regulations, PIOGA respectfully suggests that the following proposed amendment demonstrates that the terms "destination" and "destinations" should be retained for consistency and clarity, and to maintain the current regulation's substantive meaning:

- § 189.4. Use under permit.
- (a) General rule. . . . A user shall, at all times, carry evidence of the user vehicle's destination, which must consist of the type of documents in § 189.3(c).

Accordingly, PIOGA also respectfully suggests that the new term "site" in the following proposed amendment should be replaced with "destination":

§ 189.3. Local traffic.

. . . .

(b) [Proof] Self-certification; proof of local traffic status. The following types of documents will constitute evidence that a [vehicle is local traffic:] user vehicle is traveling to or from a particular site DESTINATION with an address located on or reachable only through posted highways: bills of lading, shipping orders, service orders or other documents on company letterhead which indicate the address of the site DESTINATION and purpose of the user vehicle. The use of the posted road and purpose of the user vehicle must comply with the definition of "local traffic."

Following the same rationale, PIOGA respectfully suggests that the proposed definition of the term "user" renders superfluous the following language marked as stricken and that the addition of the CAPITALIZED language more appropriately states the intended meaning:

§ 189.2. Definitions.

. . . .

Heavy user—The user INDIVIDUAL OR ENTITY RESPONSIBLE FOR OPERATION OF A USER VEHICLE responsible for generating user vehicles equal to or exceeding 700 loads in any 12-month period on a particular posted highway.

See, e.g., proposed § 189.3(a): "a) General rule. [Over-posted-weight local traffic] Local traffic user vehicles may exceed posted weight limits unless the posting authority determines that [an over-posted-weight] a user vehicle or vehicles being driven to or from a particular [destination or destinations are likely to damage the highway] location or locations are likely to cause damage to the highway.

§ 189.4. Use under permit.

. . . .

(b) Permit categories. Permit categories include the following:

(1) Local determination....

(iv) Minimum use. The Department may use a minimum use permit category when the user responsible for generating user vehicles is not a heavy user for a particular highway....

2. Distinguishing "unconventional" and "conventional" oil and gas development

PennDOT proposes the following definition of "develop": "The processes associated with conventional and unconventional oil and gas development." However, the term "develop" is not used in the proposed amendments. Instead, the term "development" is used. As the term "develop" is proposed to be defined by reference to itself and another defined term – "unconventional oil and gas development" – PIOGA suggest that the proposed definition is unnecessary and should be omitted.

However, there is no proposed definition of "conventional oil and gas development." PIOGA notes that the proposed definition of "unconventional oil and gas development" is to be read consistently with the definitions of "unconventional formation" and "unconventional gas well" in Section 2301 of Act 13, 58 Pa. C.S. § 2301. The RAF uses the term "Unconventional Oil and Gas (UOG)" and, in Section 12, introduces the terms "Non-UOG Natural Gas" and "Non-UOG Oil." The terms "Non-UOG Natural Gas" and "Non-UOG Oil" are not proposed to be defined in these amendments.

PIOGA suggests that PennDOT include in the regulation the following definitions of "conventional well," "conventional formation" and "conventional oil and gas development" to distinguish between "unconventional" and "conventional" development. PIOGA's suggested definitions of "conventional well" and "conventional formation" are the same as those in the Department of Environmental Protection regulations at 25 Pa. Code § 78.1 (effective June 14, 2014), and are also based upon and consistent with the Act 13 Section 2301 definitions of "unconventional formation" and "unconventional gas well"

² PIOGA also notes that this definition is the same as the one in 67 Pa. Code Chapter 190.

http://www.pabulletin.com/secure/data/vol44/44-24/1245.html. "It is important to be clear that the final-form rulemaking does not include any changes to the current permit fee structure for applicants for permits to drill 'conventional' oil and gas wells. Although 'conventional' wells and formations are not defined in 58 Pa.C.S. § 3203 (relating to definitions), the amendments to § 78.1 define those terms with reference to definitions in 58 Pa.C.S. § 3203 of 'unconventional well' and 'unconventional formation.' PIOGA notes that the definitions in Section 3203 are the same as in Section 2301.

Conventional formation—A formation that is not an unconventional formation.

Conventional well-

- (i) A bore hole drilled or being drilled for the purpose of or to be used for construction of a well regulated under 58 Pa.C.S. §§ 3201—3274 (relating to development) that is not an unconventional well, irrespective of technology or design.
- (ii) The term includes, but is not limited to:
 - (A) Wells drilled to produce oil.
- (B) Wells drilled to produce natural gas from formations other than shale formations.
- (C) Wells drilled to produce natural gas from shale formations located above the base of the Elk Group or its stratigraphic equivalent.
- (D) Wells drilled to produce natural gas from shale formations located below the base of the Elk Group where natural gas can be produced at economic flow rates or in economic volumes without the use of vertical or nonvertical well bores stimulated by hydraulic fracture treatments or multilateral well bores or other techniques to expose more of the formation to the well bore.
- (E) Irrespective of formation, wells drilled for collateral purposes, such as monitoring, geologic logging, secondary and tertiary recovery or disposal injection.

Accordingly, PIOGA's proposed definition to parallel the "unconventional oil and gas development" definition is:

Conventional oil and gas development—

- (i) The activities associated with conventional well construction including site preparation and reclamation, drilling, completion and pipeline construction on oil and gas gathering pipelines, not including transmission and distribution pipelines.
- (ii) The terms "gathering," "transmission" and "distribution pipelines" shall be read consistently with the definitions of those terms in the Federal pipeline safety regulations of the United States Department of Transportation, Pipeline and Hazardous Materials Safety Administration in 49 CFR 192.3 (relating to definitions).

The distinction between "unconventional" and "conventional" development is necessary because of (i) the Chapter 190 exclusion of hauling related to "unconventional oil and gas development" from qualifying for a Letter of Local Determination (LoLD) and (ii) the Act 89 exclusion [§ 4902(c)(2)(v)] of hauling related to "unconventional oil and gas development" from the new minimum-use permit. Because these exclusions do not apply to *conventional* "oil and gas development," adding these definitions will help to make this clear.

This distinction is also necessary because these exclusions do not apply to activities related to conventional and unconventional production or maintenance, as none of the activities described in the "development" definitions include production or maintenance.

On a related point, PennDOT proposes a definition of "extract" but, as with the term "develop," the term "extract" is not used in the proposed amendments. However, unlike the term "develop," the term "extract" is not defined by reference to itself:

Extract—The processes associated with gathering or removal of minerals, wind and other natural resources from the air, surface or subsurface, including, but not limited to, coal, stone, water and related site preparation, construction and onsite stockpiling.

As the definition describes "processes" – which include the activities of production and maintenance – PIOGA suggests that the verb "extract" be replaced with the noun "extraction" as the defined term, as that is the term used in the proposed amendments.

3. At-risk industry sectors and Letters of Local Determination (LoLD)

Section 16 of the RAF states that haulers that want to operate user vehicles on posted highways may be allowed to do so as/under:

- •Local Traffic
- •LoLD (at-risk or de-minimis)
- •Minimum use permit
- Annual Bonded or Seasonal Bonded permits

Sections 16 and 25 of the RAF state that per the Policy Statement at 67 Pa. Code Chapter 190 atrisk industry haulers may obtain at-risk LoLDs allowing them to operate user vehicles on posted highways. Section 13 of the RAF states that Chapter 190 "is also being revised to conform to this Chapter." PIOGA assumes this reference is to the changes already made, effective December 5, 2015 (http://www.pabulletin.com/secure/data/vol45/45-49/2130.html).

Section 25 of the RAF also states that Act 89 extended the at-risk industry sector exemption through December 31, 2018, that this exemption is included in Chapter 189 and that "[t]hose At-Risk industries will continue to be able to obtain an At-Risk LoLD that will allow them to operate over-posted-weight vehicles on roads bonded by the UOG industry."

Accordingly, as an initial matter, PIOGA requests clarification that the Chapter 190 LoLD process and all such Letters expire December 31, 2018, after which the at-risk, de minimis and minimum-use exemptions will be available only as permits under § 189.4(b)(1)(ii), (iii) and (iv) if the proposed amendments are approved.

There are two general issues PIOGA is addressing with respect to at-risk industry sectors.

a. Methodology for determining additional at-risk industry sectors

PennDOT proposes to add to Chapter 189 the definition of "at-risk industry sector" currently in Chapter 190, along with Chapter 190's definition of "industry sector":

§ 189.2. Definitions

At-risk industry sector—Industry sectors defined by the Department of Labor and Industry as having experienced a 20% or more decline in Statewide employment between March 2002 and March 2011 and additional industry sectors that the Department determines, in consultation with the Department of Labor and Industry, to show evidence of economic decline.

<u>Industry sector—A sector included in the North American Industry Classification</u> System.

Neither Section 7 of Act 13 nor Act 89 define the term "industry sector" or require use of the North American Industry Classification System (NAICS) system to determine at-risk industry sectors. Chapter 190 is a policy statement that is not binding on PennDOT or any other agency, so the definition of the term "industry sector" in Chapter 190 and the use by PennDOT and the Department of Labor and Industry (L&I) of the NAICS system to determine the March 2002-2011 Statewide employment declines and at-risk industry sectors do not restrict or limit PennDOT and L&I to that definition and use going forward.

The term "sector" under the NAICS system refers to the broadest business classification – "economic sector":

5. What is the NAICS structure and how many digits are in a NAICS code?

NAICS is a 2- through 6-digit hierarchical classification system, offering five levels of detail. Each digit in the code is part of a series of progressively narrower categories, and the more digits in the code signify greater classification detail. The first two digits designate the economic sector, the third digit designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. The 5-digit NAICS code is the level at which there is comparability in code and definitions for most of the NAICS sectors across the three countries participating in NAICS (the United States, Canada, and Mexico). The 6-digit level allows for the United States, Canada, and Mexico each to have country-specific detail. A complete and valid NAICS code contains six digits.⁴

PIOGA submits that the General Assembly's use of the term "sector" was not intended to refer to such a broad category of businesses. PIOGA believes that PennDOT and L&I agree, because

⁴ NAICS Frequently Asked Questions (FAQs), http://www.census.gov/eos/www/naics/faqs/faqs.html#q14.

PIOGA understands that L&I determined the March 2002–2011 Statewide employment declines provided to PennDOT pursuant to Section 7 of Act 13 based on the 4-digit NAICS code – "industry group."

However, because the statutes authorizing PennDOT's proposed amendments to Chapter 189 and the Chapter 190 Policy Statement distinguish the unconventional oil and gas industry, PIOGA submits that the 4-digit NAICS code is nonetheless too broad for the purposes intended by the General Assembly because that level does not distinguish between the conventional and unconventional oil and gas industries. These are the 2012 NAICS categories under the economic sector "21" – "Mining, Quarrying, and Oil and Gas Extraction":

211 Oil and Gas Extraction

2111 Oil and Gas Extraction

21111 Oil and Gas Extraction

211111 Crude Petroleum and Natural Gas Extraction

211112 Natural Gas Liquid Extraction⁵

Notwithstanding the use by PennDOT and L&I of the 4-digit NAICS codes to determine the March 2002–2011 Statewide employment declines to determine at-risk industry sectors, PIOGA suggests that PennDOT and L&I are not restricted to using this NAICS code level, or the NAICS codes at all, to determine pursuant to the "at-risk industry sector" definition *additional* industry sectors that show evidence of economic decline.

However, PIOGA understands that L&I has determined that the potential *additional* industry sectors that could be determined are limited to those *within* the group previously determined by L&I for the March 2002–2011 period. PIOGA respectfully suggests that this determination ignores the plain meaning of the word "additional" in Section 7 of Act 13 and the "at-risk industry sector" definition in Chapter 190, and simply reads this word out of the statute and definition. PIOGA also suggests that, as a matter of policy, this restrictive methodology is contrary to the purpose and reasons for determining an at-risk industry sector.

That raises PIOGA's second issue on this subject – the absence in the proposed amendments of a methodology for determining additional at-risk industry sectors. To PIOGA's knowledge, the methodology used for the March 2002-2011 determinations has not been publicly disclosed, so commentators are at a disadvantage on this issue.

Accordingly, PIOGA suggests that a different methodology is required, perhaps something akin to what L&I uses to determine "Industries of Interest" with its "calendar quarter over calendar

⁵ 2012 NAICS Definition, http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart_code=21&search=2012%20NAICS%20Search. PIOGA notes that L&I's most recent "Marcellus Shale Update (2-24-16) uses NAICS codes 211111, Crude Petroleum and Natural Gas Extraction, and 211112, Natural Gas Liquid Extraction, albeit for difference purposes. http://www.portal.state.pa.us/portal/server.pt?open=514&objlD=1222103&mode=2.

quarter" and "year over year" comparisons, both of which would provide a more timely determination. Because no methodology has been proposed, PIOGA also suggests that PennDOT use the "Advance Notice of Final Rulemaking" (ANOFR) process to propose a methodology and solicit public comment on the proposal. The ANOFR process is not a part of the formal Regulatory Review Act (RRA) procedure but is used by agencies to solicit public comment on changes to its initial proposed rulemakings.⁷

b. May a hauler apply for and receive both an at-risk and a de minimis permit?

The PennDOT Letter of Local Determination Fact Sheet⁸ under the heading "Who Qualifies for a Letter of Local Determination?" states that "A hauler may apply for and receive both an atrisk and a de minimis LoLD."

However, Chapter 190 provides that hauling activity may qualify as de minimis operations if "[i]t is not related to an at-risk industry as defined in Act 13." 67 Pa. Code § 190.3(b)(2)(ii). As proposed § 189.4(b)(1)(iii) states that "[h]auling activity identified as de minimis under Chapter 190 (relating to letter of local determination—statement of policy) may be authorized as a local determination permit category," PIOGA requests confirmation that a hauler can apply for and receive both an at-risk and de minimis permit if proposed § 189.4(b)(1) is approved.

4. Advance notice of roadway condition surveys

Existing § 189.4(f) requires permittees to pay the costs of posting authority inspections to determine highway conditions and, accordingly, requires notice to the permittees and opportunity to participate in the inspections.

PennDOT is adding the authority of posting authorities to "conduct frequent but less detailed roadway condition surveys to determine overall condition and identify any areas in need of

Similar to an ANPR, an advance notice of final rulemaking (ANFR) is used by some agencies to provide notice of intended changes from the proposed version of a regulation to the final version. It is not a part of the formal rulemaking process under the RRA. However, it is occasionally done when, based on feedback received at the proposed stage or other factors, the agency has made substantial changes to the final regulation. When publishing an ANFR in the Pennsylvania Bulletin, agencies generally explain the purpose of the changes and may request additional public input.

This is the process DEP used to solicit public comments on aspects of its initially proposed rulemaking that were significantly changed after the initial public comment period. http://www.pabulletin.com/secure/data/vol45/45-14/597.html

http://www.portal.state.pa.us/portal/server.pt?open=514&objID=1509090&mode=2. PIOGA understands that the data associated with determining "Industries of Interest" is different than the data necessary for determining at-risk industry sectors.

⁷ The Regulatory Review Process in Pennsylvania 2012, http://www.irrc.state.pa.us/resources/docs/Regulatory Review Process Manual.pdf, at 25:

http://www.dot.state.pa.us/public/Bureaus/BOMO/Marcellus/LoLDFlyer.pdf

repair." § 189.4(f)(3). PennDOT is also extending the existing obligation of permittees ("users" under the proposed amendments) to pay for inspections to the new roadway condition surveys. § 189.4(f)(5). However, PennDOT is proposing that "[t]the posting authority shall not be required to notify bonded users of roadway condition surveys." § 189.4(f)(4).

PIOGA respectfully suggests that if users are required to pay the costs of roadway condition surveys, they should have the rights to be notified of the surveys and to participate, as permittees now have for inspections under the existing regulations. Accordingly, PIOGA requests that § 189.4(f)(4) be changed as follows [deletions stricken, additions CAPITALIZED]:

(4) Notification of inspections and reinspections. All [Type 1 and Type 2 permittees] bonded users on a posted highway or portion thereof will be notified of all inspections and reinspections AND ROADWAY CONDITION SURVEYS on the highway or portion, and may participate in the inspections and reinspections. The posting authority is not required to notify bonded users of roadway condition surveys.

5. Definition of "Reachable only through posted highways"

PennDOT proposes the following definition:

Reachable only through posted highways—One or more posted highways needed to travel to a location from the nearest nonposted highway or from the location to the nearest nonposted highway by the most direct route possible. The most direct route may not include posted highways which can be avoided by travel on nonposted highways. If available, a reasonable alternate nonposted highway must be taken.

PIOGA suggests that this definition may be interpreted in two ways – to absolutely prohibit the use of posted highways as part of "the most direct route" or to allow the use of posted highways as part of "the most direct route" if an alternative nonposted highway is either not available or not reasonable to use. Accordingly, PIOGA suggests that the definition be clarified as follows [additions CAPITALIZED]:

Reachable only through posted highways—One or more posted highways needed to travel to a location from the nearest nonposted highway or from the location to the nearest nonposted highway by the most direct route possible. The most direct route may OR MAY not include posted highways which can be avoided by travel on nonposted highways. If available, a reasonable alternate nonposted highway must be taken.

See also, § 189.4(b)(2): "The posting authority may provide, or require a user to provide at the user's expense, detailed inspections or condition reports showing the condition of the highway at beginning and end of any authorized permit period."

6. "At-risk industry sector" use limited to posted highways bonded by UOG development companies

Proposed § 189.4(b)(1)(ii) limits the use of posted highways by at-risk industry sectors to those "currently bonded by an unconventional oil and gas development company." As this restriction is not, as far as PIOGA can determine, required by either Act 89 or Section 7 of Act 13, PIOGA suggests that this provision be changed as follows [deletions stricken, additions CAPITALIZED]:

(ii) At-risk. The Department may use an at-risk permit category when the user belongs to an at-risk industry sector and is hauling on a posted highway currently bonded by an unconventional oil and gas development company ANOTHER ENTITY.

7. Freeze/thaw period definition and modification

PennDOT proposes the following definition:

<u>Freeze-thaw period</u>—The calendar period between February 15th and April 15th during which time thawing of previously frozen roadbed materials compromises the structural integrity of the pavement system. The posting authority may alter or modify this time period based on recent and anticipated weather conditions for a permit or agreement.

While PIOGA appreciates and agrees with allowing a posting authority to alter or modify the freeze/thaw period, PIOGA respectfully suggests that the second sentence of the proposed definition is grant of a substantive authority that does not belong in a definition. Accordingly, PIOGA suggests that this sentence be deleted from the definition and placed in the following provisions as indicated:

§ 189.4(b)(1)(iv) – Minimum use. The Department may use a minimum use permit category when the user responsible for generating user vehicles is not a heavy user for a particular highway. This category is restricted during the designated freeze-thaw period unless written authorization from the Department is provided. The posting authority may alter or modify this time period based on recent and anticipated weather conditions for a permit or agreement.

§ 189.4(b)(2)(i) – <u>Annual bonded</u>. An annual bonded permit category may be used for any requested posted highway for all desired times of the calendar year including the freeze-thaw period. The posting authority may alter or modify this time period based on recent and anticipated weather conditions for a permit or agreement.

Conclusion

PIOGA appreciates the opportunity to provide comments on the proposed amendments and welcomes an opportunity to meet with PennDOT and L&I staff to discuss the issues addressed by these comments, in particular the scope of the "at-risk industry sector" determinations and a methodology for determining additional at-risk industry sectors.

On behalf of PIOGA and its members, I thank you for considering these comments.

Sincerely,

Kevin J. Moody, General Counsel

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PIOGA