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Senate of Pennsylvania

August 20, 2018

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Honorable Patrick McDonnell
Chairman, Environmental Quality Board
Rachel Carson Building, 16th Floor
P.O. Box 2063
Harrisburg, PA 17105-2063



Re: Proposed Rulemaking: Unconventional Well Permit Application Fees (#7-542)

Dear Chairman McDonnell:

We, the members of the Senate Environmental Resources and Energy Committee, as well as our other Senate colleagues, are writing to you today opposing the proposed rulemaking, "Unconventional Well Permit Application Fees (#7-542)," which would significantly increase application fees for unconventional natural gas well permits. The proposed change would increase permits from \$5,000 to \$12,500, or 150%.

As you already know, the Senate Republican Caucus is on the record as voting "no" on this proposed rulemaking during the May 16, 2018 Environmental Quality Board meeting. There are a number of issues that concern us on the matter.

As stated, this proposed rulemaking recommends regulatory changes to address "disparities" between Oil and Gas Program income generated by the fees and the Department's cost of administering the Oil and Gas Program to ensure compliance with the 2012 Oil and Gas Act. While the Department has determined that a significant disparity exists between fee income and costs to run the program, the Department fails to consider that when it comes to funding the Program, the unconventional natural gas industry contributes overwhelmingly the largest percentage in funds to the department's oil and gas budget.

It has been stated that in Fiscal Year (FY) 2015-16, permit application fee and "Impact Fee" revenues totaled \$13.9 million, but costs to run the Oil and Gas Program exceeded \$21.6 million. In FY 2016-17 permit application fees and "Impact Fee" revenues totaled \$15.7 million, but costs to run the program exceeded \$22 million, and fee/costs differential has been covered by the Well Plugging Fund reserves. Further, the projected costs to run the Oil and Gas Program at current staffing levels (190 people) in FY 2019-20 is approximately \$25 million. Even with a decrease in permits, permit reviews, new wells spud and reviewed, expenditures still have increased. In 2014,

the Department increased well permit fees from \$3,200 to \$5,000. At that time there were 55 rigs operating in the state. Today, there are 39 rigs operating in the state and the proposal is to increase permit fees from \$5,000 to \$12,500?

It's our understanding that the Department does not intend to use "Impact Fee" dollars to assist with the operation of the Oil and Gas Program. Instead the Department intends to add new staff or expand policy initiatives. The Department can and should utilize all of the \$6 million in "Impact Fee" revenues for the Oil and Gas Program. Moreover, the Department provides General Fund revenues to the Office of Active and Abandoned Mine Operations; Office of Water Programs; Office of Water Resources Planning; and the Office of Waste, Air, Radiation and Remediation. The Department does not, however, provide General Fund appropriations to supplement costs to run the Oil and Gas Program. The Department can and should consider providing a General Fund appropriation to this Program, before considering raising fees.

The Department notes that as a result of the significant reduction in staff to address declining well permit application revenue, the Oil and Gas Program struggles to meet its gas storage field inspection goals, increasing permit review time frames, and decreasing training opportunities for staff. The Department states that service quality will "diminish" significantly if no action is taken on this proposed rulemaking. We have been made aware of permit review times taking as long as four months, yet under current law, the Department has 45 days to review permit applications with an additional review period. Even with increased permit fees per this proposed rulemaking, the Department has given no indication that processing and review times will be significantly reduced.

While Pennsylvania already holds the top spot for having the highest permit application fees at \$5,000, the proposed rulemaking, "Unconventional Well Permit Application Fees (#7-542)," would "hit it out of the ballpark" for future permit application fees at \$12,500. It is our view that for the reasons stated the Department should reassess their current appropriations and realign them to fit their overall needs. Increasing existing fees on an industry that is already contributing significantly to Pennsylvania's overall economy and workforce should not be supported or considered at this time.

We strongly urge the Department to reconsider this proposed rulemaking. Thank you for your consideration of these comments.

Sincerely,



GENE YAW
SENATOR



JOE SCARNATI
PRESIDENT PRO TEMPORE



JAKE CORMAN
MAJORITY LEADER



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