



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management



Proposed Rulemaking: Unconventional Well Permit Application Fees (25 Pa. Code Chapter 78a)

Environmental Quality Board
May 16, 2018

Tom Wolf, Governor

Patrick McDonnell, Secretary

Regulatory Requirements

- 58 Pa. C.S. § 3211(d): This section provides that “each application for a well permit shall be accompanied by a permit fee, established by the Environmental Quality Board, which bears a reasonable relationship to the cost of administering this chapter.”

Regulatory Requirements

- 25 Pa Code §§ 78.19(e) 78a.19(b): At least every 3 years, the Department will provide the EQB with an evaluation of the fees in this chapter and recommend regulatory changes to the EQB to address any disparity between the program income generated by the fees and the Department's cost of administering the program with the objective of ensuring fees meet all program costs and programs are self-sustaining.

Oil and Gas Program Funding

- Well Permit Fees
- 2012 Oil and Gas Act Impact Fees
- Civil Penalty Assessments/Bond Forfeiture
- No General Fund Money

Background

- Fees were last increased June 14, 2014
 - From sliding scale to \$5,000/\$4,200 fixed fee
- Three year report to EQB April 17, 2018
- Regulation presented to the Technical Advisory Board at May 10, 2018 meeting

▶ 2017 Program Activities - Permitting

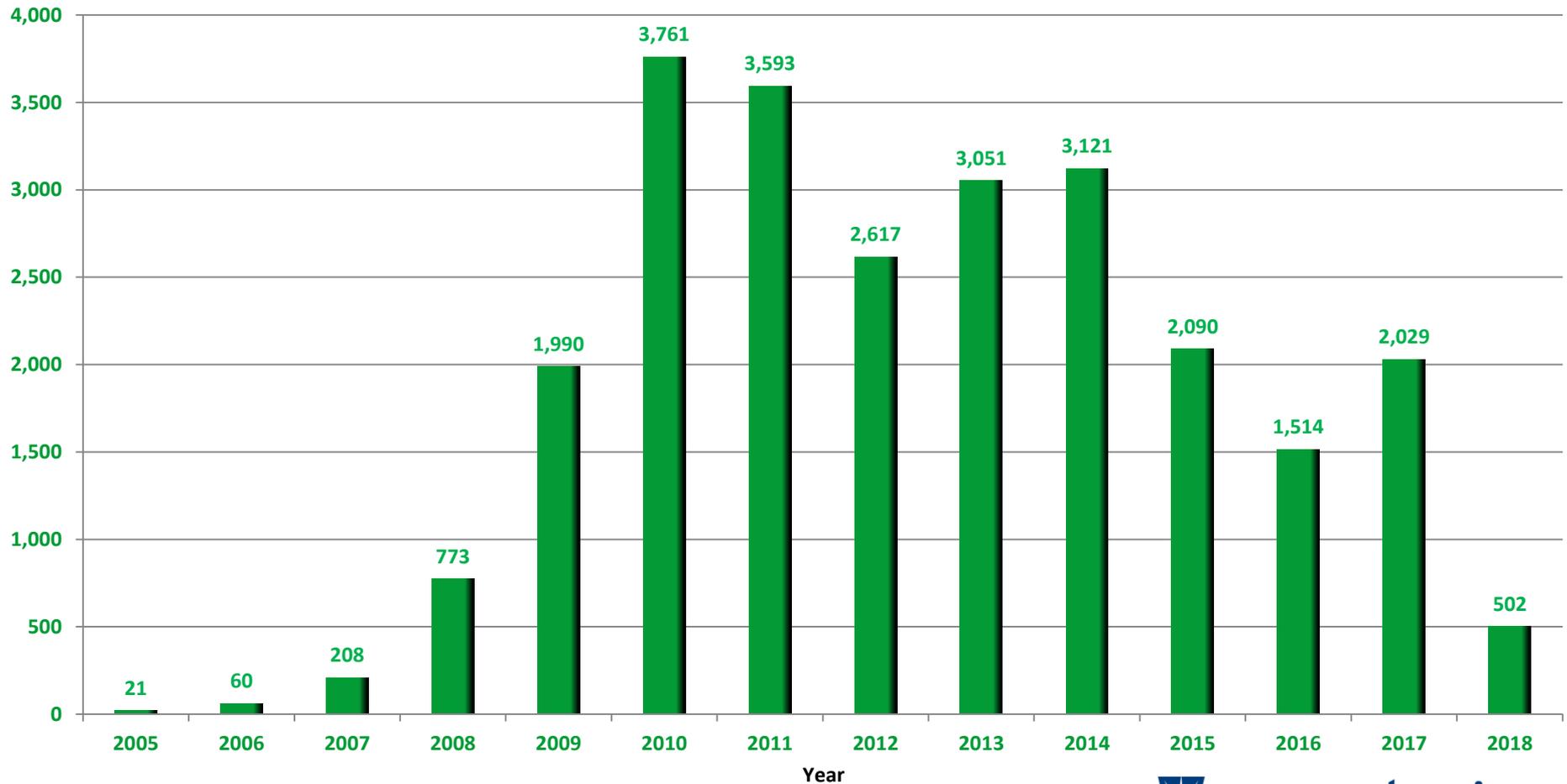
- Reviewed 2,541 well permits, renewals and transfers
 - Current review time is approximately 28 days
- Reviewed 825 alternative method requests
- Processed 1,160 Chapter 102 permits
 - Current review time is approximately 54 days
- Processed 871 Individual and General Chapter 105 permits
- Reviewed 159 Water Management Plans

▶ 2017 Program Activities - Compliance

- Conducted 3,877 inspections of 916 newly drilled unconventional and conventional wells
- Conducted 32,451 inspections of 197,025 existing unconventional and conventional wells
- Conducted 4,860 pipeline inspections
- Responded to 781 complaints
- Issued 576 Notices of Violation

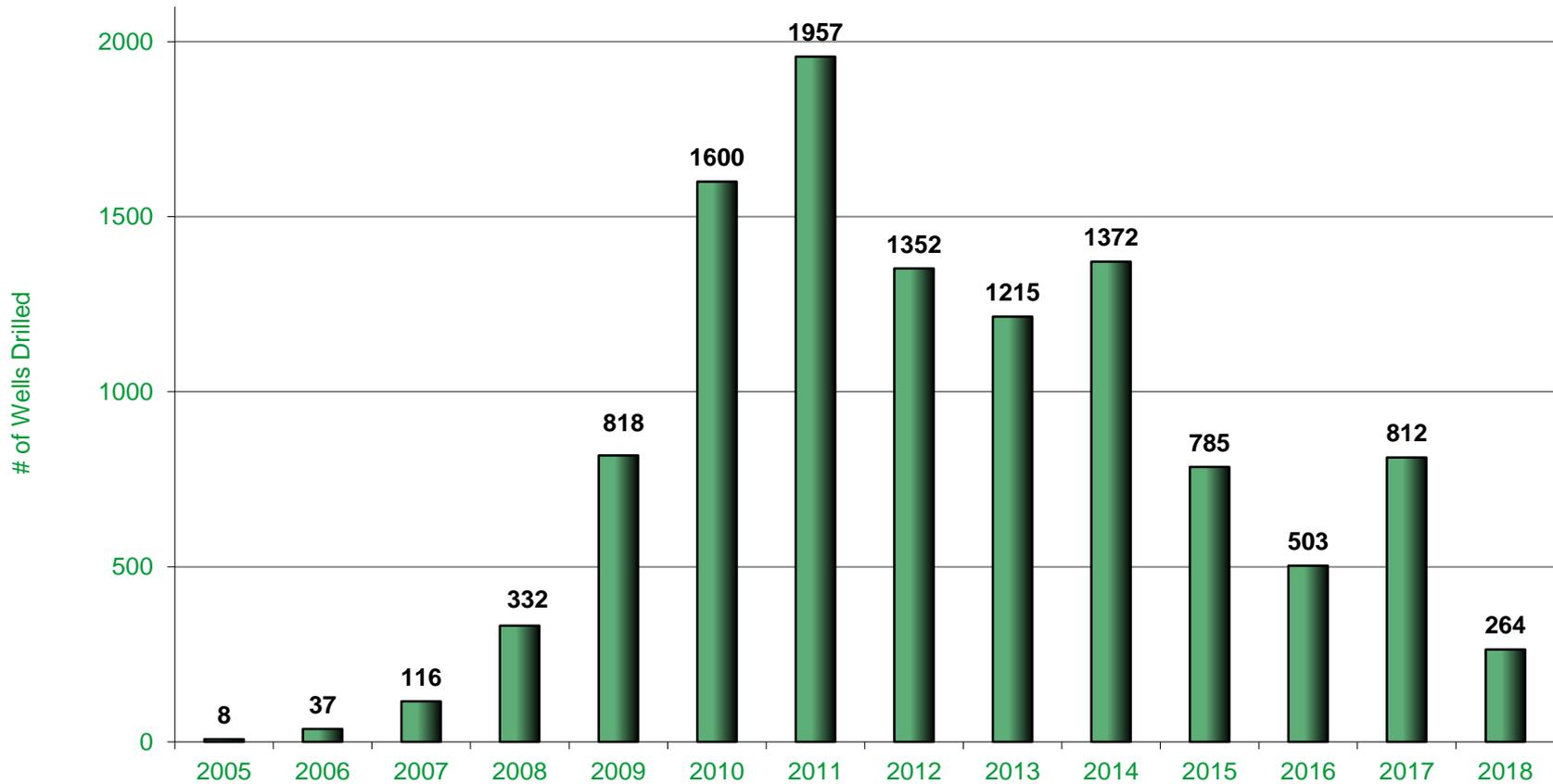
Unconventional Well Applications

05/07/2018



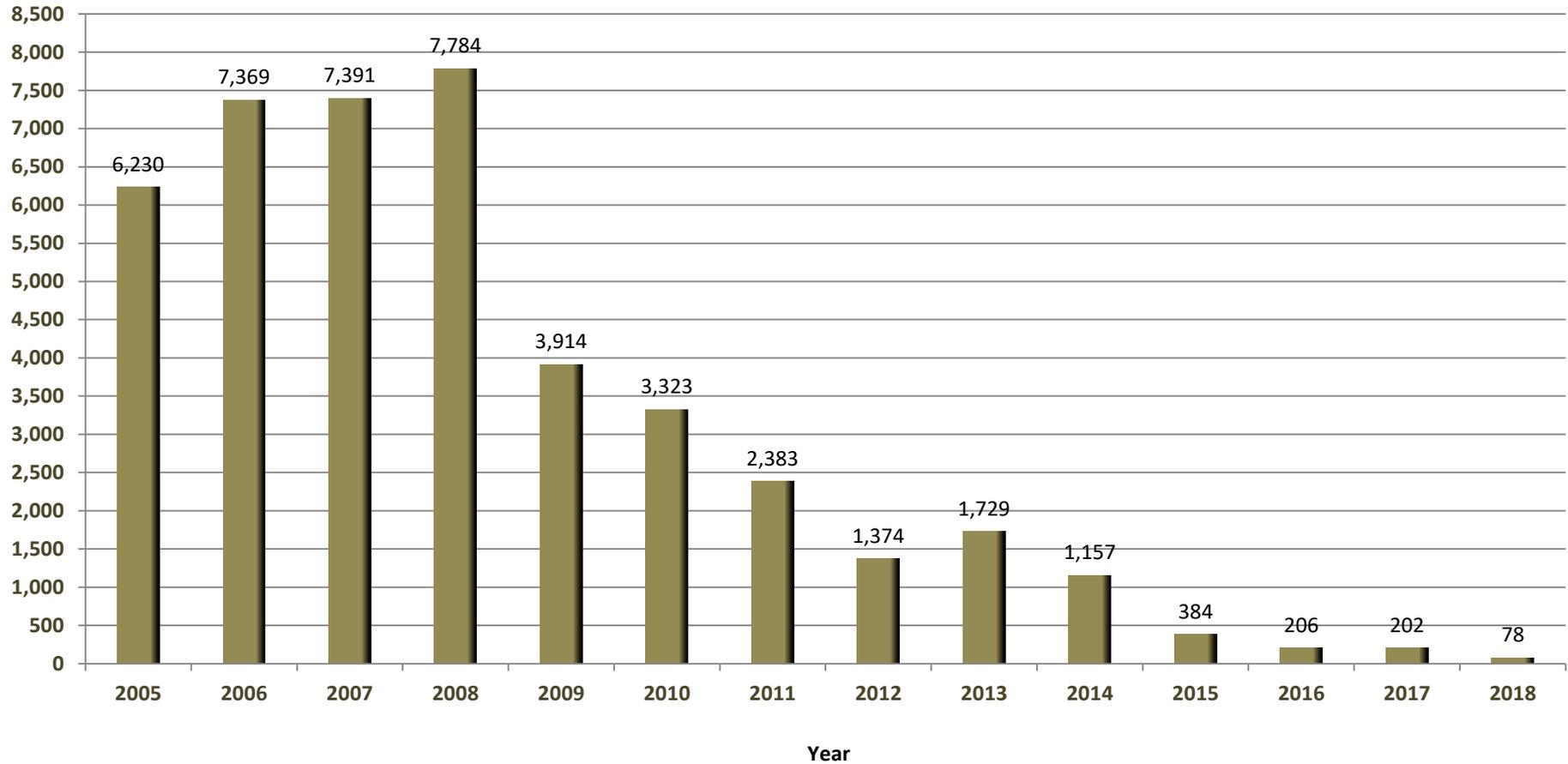
Unconventional Wells Drilled

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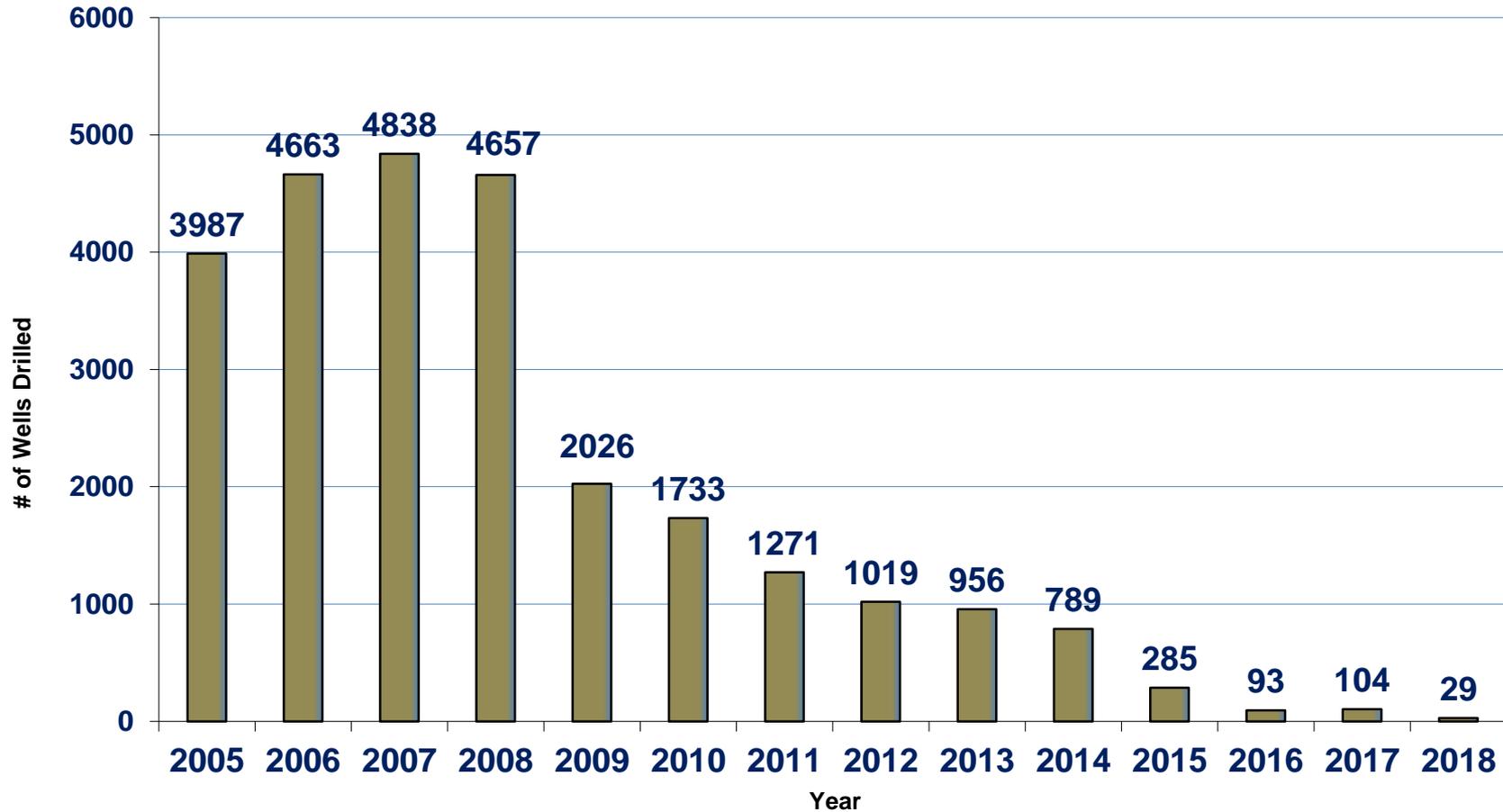
Conventional Well Applications

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Conventional Wells Drilled

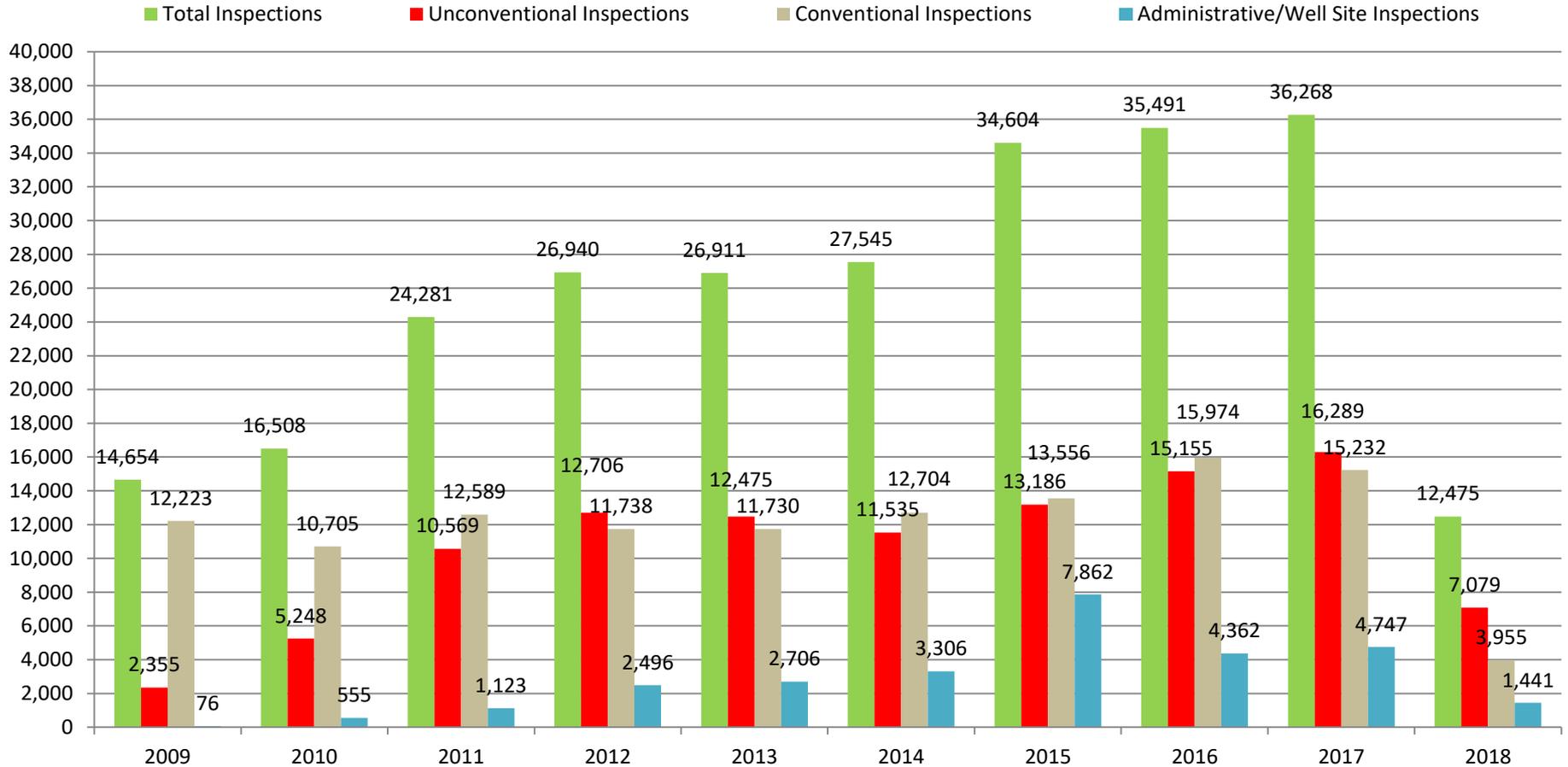
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Compliance Inspections

2009 - 2018 (Jan-April)

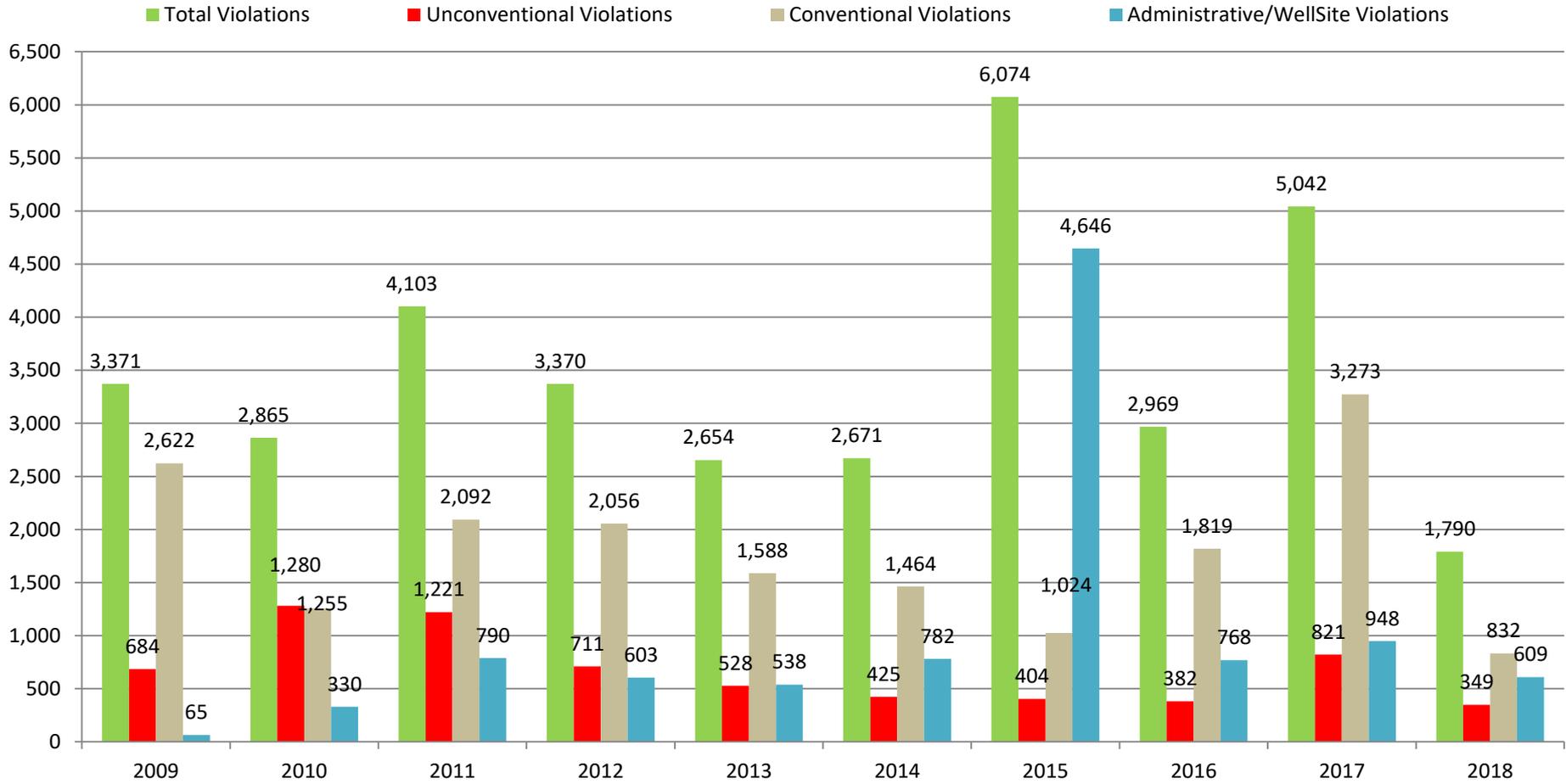
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Compliance Violations

05/07/2018

2009 - 2018 (Jan-March)



Revenue vs. Expenses

ATTACHMENT A

COMPARATIVE FINANCIAL STATEMENT WELL PLUGGING RESTRICTED REVENUE ACCOUNT

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18 Projection	FY 2018-19 Projection
BEGINNING BALANCE:	5,836,205	2,975,275	11,093,426	11,118,108	14,005,857	10,265,076	7,321,124	7,114,846
Revenue:								
Permit Fees	11,316,801	9,465,100	11,387,865	13,504,728	7,910,959	9,703,101	9,500,000	9,500,000
Fines and Penalties	2,287,519	2,346,923	1,419,447	4,403,553	4,076,710	9,590,432	2,000,000	2,000,000
Act 13 Impact Fees	-	12,000,000	6,000,000	6,000,000	6,000,000	-	12,000,000	6,000,000
Other Revenue	(132,900)	51,479	(96,981)	66,415	(101,327)	(168,185)	(454,522)	(75,000)
Total Revenue:	13,471,420	23,863,502	18,710,331	23,974,696	17,886,341	19,125,347	23,045,478	17,425,000
Total Funds Available:	19,307,625	26,838,777	29,803,757	35,092,803	31,892,199	29,390,423	30,366,602	24,539,846
Expenditures:								
Personnel	(14,300,038)	(13,069,356)	(16,263,904)	(17,984,651)	(19,450,600)	(19,777,394)	(20,155,000)	(21,153,000)
Operating	(1,552,936)	(1,733,091)	(1,472,626)	(1,809,728)	(1,457,284)	(1,392,752)	(2,154,756)	(2,234,659)
Fixed Assets	-	(332,120)	(383,578)	(646,356)	(73,888)	(104,604)	(242,000)	(358,000)
Transfers and Other	(479,376)	(610,785)	(565,541)	(646,210)	(645,351)	(794,550)	(700,000)	(700,000)
Total Expenditures:	(16,332,350)	(15,745,352)	(18,685,649)	(21,086,946)	(21,627,122)	(22,069,300)	(23,251,756)	(24,445,659)
ENDING BALANCE:	2,975,275	11,093,426	11,118,108	14,005,857	10,265,076	7,321,124	7,114,846	94,187

Note: The Act 13 Impact Fee payment for 2016-17 was received after the end of the fiscal year, and therefore is not shown until 2017-18.

Cost-Saving Measures

- **Complement Management:**
 - Accounts for 90% of operating costs
 - Reduced staff by 36 positions
- **Control Operating Expenses:**
 - Reduced by 39% (\$1 million)
 - Deferred vehicle and computer purchases
 - Significantly restricted travel and training

Well Permit Fee Analysis

- 2014 fee rulemaking assumed 2,600 unconventional permits annually.
 - Averaged 2,057 permits past three fiscal years.
- Program Costs for 190 staff will be approximately \$25 million in FY 2020 when a fee rule would be complete.
 - Require 5,000 unconventional permit applications at current \$5,000 fee.
- Assuming 2,000 unconventional permits annually, a fee of \$12,500 is necessary to pay program costs at current staffing levels in 2020.

Well Permit Fee Analysis

- Conventional permits provided only \$61,000 in 2017 and even less in 2016.
 - No increase is recommended
- Fines not considered
- Impact fee:
 - Can be used to restore staff levels back to 226 positions. Meet inspection, permit review and policy development goals.
 - Fully fund IT
 - Serve as a buffer if permit assumptions are incorrect

Summary and Recommendation

- Current fees are inadequate to cover the operation of the Oil and Gas Program.
- DEP recommends that the Board adopt this proposed rulemaking with a 30-day public comment period.



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