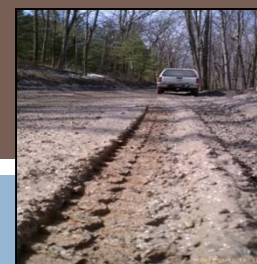


LOCAL IMPACT OF NATURAL GAS DRILLING

ELAM M. HERR
ASSISTANT EXECUTIVE DIRECTOR
PSATS



June 17, 2011

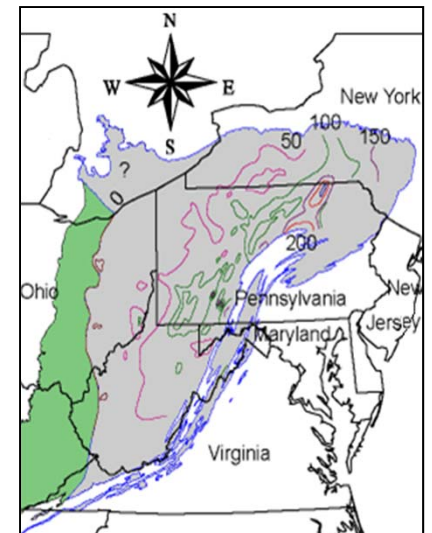


Local Government Impacts

Local Government Impacts

General Government

- In areas with heavy natural gas extraction activity, municipalities have reported a sharp increase in labor costs, particularly for skilled employees.
- Municipalities have had to increase hours or hire additional employees to keep up with the pace of development through road inspections and rebuilding and zoning and building code administration and enforcement.



Local Government Impacts

General Government



- Many municipalities do not receive prior notice before a company begins construction on a new well site.
 - ▣ Often the first notice has been the sudden arrival of heavy truck traffic.
- Municipalities receive little, if any, increased tax revenues due to this activity.
 - ▣ Natural gas not subject to property tax.
 - ▣ Royalties not subject to local earned income tax.

Local Government Impacts

General Government

- The sudden growth in natural gas activity in Pennsylvania was not an activity that communities could have reasonably anticipated.
- Even those municipalities with the best, most up-to-date comprehensive plans were not prepared for the rapid growth and development in their communities.
- Municipalities must balance the rights of the natural gas industry access their property, while reasonably mitigating its impact the community through land controls.



Local Government Impacts

General Government

- Municipalities Planning Code requires local governments to provide for every legal use.
 - ▣ Cannot prohibit an unpopular use.
 - ▣ Long history of the courts upholding this concept.
- Zoning protects all property values by providing a clear set of rules regarding allowable uses.
 - ▣ By right, special exception, or conditional use.
 - ▣ Requires reasonable use of property.
- State zoning will not prevent illegal ordinances that are occurring now in very small numbers.

Local Government Impacts

General Government

- The Oil and Gas Act regulates the development of oil and gas drilling in Pennsylvania, and imposes duties on DEP, landowners, and drillers.
- The Municipalities Planning Code requires land use controls to be consistent with and not exceed the provisions of the Oil and Gas Act.
- The Pennsylvania Supreme Court has upheld this authority.
- To assist municipalities, the local government associations developed a model zoning ordinance with commonsense regulations to allow the continuation of exploration while maintaining reasonable local controls.
 - The model has been promoted and used.



Local Government Impacts

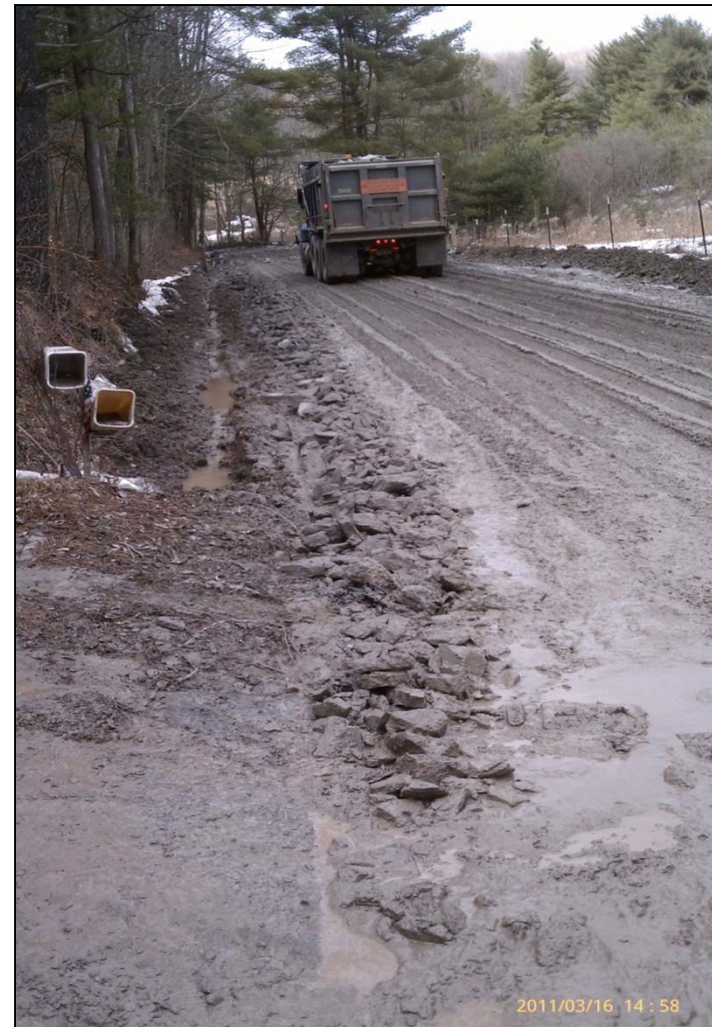
General Government



- Municipalities must retain the authority to enact reasonable regulations as they pertain to natural gas development and be allotted the opportunity to plan for the impact of such activity on their communities.

Local Government Impacts Transportation and Infrastructure

Most drilling takes place in mountainous, rural areas, accessible only by low-volume roads, many of which are dirt and gravel.



Local Government Impacts Transportation and Infrastructure



These roads were not constructed to handle significant amounts of heavy truck traffic.

Local Government Impacts

Transportation and Infrastructure

- These roads must also endure extreme seasonal fluctuations over the course of the year.
- The constant freezing, unfreezing, and re-freezing during the frost/thaw cycle can see a road deteriorate from good condition to impassible within hours if it is being travelled by heavy truck traffic.
- When roads are damaged, total reconstruction is frequently required.



Local Government Impacts

Transportation and Infrastructure

- Municipalities may use posting and bonding to ensure that the entity damaging the roads pays for the damage.

However...

- The maximum bond is limited to \$12,500 for a paved road and \$6,000 for an unpaved road.
- The cost of reconstruction can approach several hundred thousand dollars.



Local Government Impacts

Pipeline Safety

- Owners of gathering lines and compressor stations should be required to communicate the location of their pipelines with local officials.
 - ▣ Not currently required to join Pennsylvania One Call as facility owners.
- While federal regulations exist for gathering lines, there is no state or federal enforcement mechanism to minimize danger from leaks and ensure that these regulations are followed.



Local Government Impacts

Water and Sewer

- Loss of access to potable water is a concern for both private wells owners and drinking water providers due to decreased water quality, water quantity, or both.
- The development occurring as part of the current play is likely to lead to water supply issues.
 - ▣ The cost to build and operate the necessary water supply and treatment infrastructure is extremely expensive in sparsely-populated areas.
- The loss of a potable water supply could have a negative influence on an area's economic development potential.



Local Government Impacts

Emergency Management

- Municipalities have a legal responsibility for emergency management, which includes planning for and responding to all types of emergencies.
- Drilling activity leads to the potential for many types of incidents for which response may be necessary.
 - Fires
 - Well blowouts
 - Chemical and fuel spills
 - Traffic accidents
 - Injured or trapped well site workers

Local Government Impacts Emergency Management

- ❑ Various accidents have occurred across the Commonwealth since the beginning of the current play.
- ❑ Until specialists can be called in to deal with the situation, volunteer fire departments and other local first responders must secure the site and take appropriate action.
- ❑ This requires additional emergency management planning at the municipal level.



Local Government Impacts Emergency Management

- Many drilling sites are located deep in wooded areas and can be difficult to locate and access by emergency personnel.





Recommendations

Recommendations:

General Government



- Enact an impact fee provided that the majority of the revenues are retained in the affected communities to offset costs and avoid the need for property tax increases.
- Require employers submitting to a single earned income tax collector to notify their employees' home tax collection agency where the employer will be submitting earned income tax collection revenues.

Recommendations:

General Government



- Changes should be made to the Oil and Gas Law to strengthen local government regulation of zoning and floodplain management as authorized by the Pennsylvania Supreme Court.
 - ▣ Transferring the approval of soil and erosion permits from the conservation districts to a single statewide entity has not worked.
- State funding for DCED's Land Use and Technical Assistance Program should be restored to 2008-09 funding levels.

Recommendations:

General Government



- Require natural gas companies to provide the host municipality, as well as those communities along the primary traffic route, with a 30-day advance notice prior to construction at the well site.
- Share a portion of the Commonwealth's proceeds from the leasing of state forestlands with the affected communities by amending the Forest Reserves Municipal Financial Relief Law to increase the annual payment per acre (currently \$1.20 per acre).

Recommendations:

Transportation and Infrastructure

- ❑ An impact fee on natural gas extraction should be levied to provide funding to mediate the impacts of gas drilling on local roads;
- ❑ Amend regulations or statute to strengthen the authority for excess maintenance agreements as effective tools to administer and enforce weight limits and/or;
- ❑ The maximum bonding amounts should be increased to reflect today's actual costs for road repairs and reconstruction.



Recommendations:

Pipeline Safety



- Owners of gathering lines and compressor stations should be required to communicate the location of their pipelines with local officials.
 - ▣ Owners of gathering lines should be required to register with Pennsylvania One Call as a facility owner.
- The PUC should be given oversight of gathering lines to ensure that these lines comply with federal regulations.

Recommendations:

Water and Sewer



- Continued oversight, permitting, and inspection from DEP and the Susquehanna and Delaware Basin Commissions will be critical to protecting Pennsylvania's water resources.
- An impact fee on natural gas extraction could assist communities impacted by lack of available water due to reduced supply or contamination.
- Amend Oil and Gas Act to increase natural gas well minimum setback from water wells and buildings to 500 feet from current 200 feet.

Recommendations:

Emergency Management



- Require well operators to provide addressing and GPS coordinates to access roads and well pad sites.
- Implement an impact fee to offset costs for equipping and training volunteer fire companies and emergency services personnel.
- Require emergency operations plans for well sites to be shared with emergency management planners and responders.