pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management

Three-Year Regulatory Fee and Program Cost Analysis Report

Oil and Gas Well Permit Fees
(25 Pa. Code Chapters 78 and 78a)

Environmental Quality Board

April 17, 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."
- 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.

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Program Funding

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

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

2017 Program Activities

- Reviewed 2,541 well permits, renewals and transfers
- Reviewed 825 alternative method requests
- Processed 1,160 Chapter 102 permits
- Processed 871 Individual and General Chapter 105 permits
- Reviewed 159 Water Management Plans
- Conducted 36,268 inspections of 197,941 newly drilled and existing unconventional and conventional wells.
- Conducted 4,860 pipeline inspections
- Responded to 781 complaints
- Issued 576 Notices of Violation

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

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.

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Cost-Saving Measures

- Compliment 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

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

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 current program costs.

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

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

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Summary

- Current fees are inadequate to cover the operation of the Oil and Gas Program
- Fee Report presented to the Technical Advisory Board in February 2018
- Proposed Rulemaking will be presented to EQB

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management

Scott R. Perry
Deputy Secretary
Office of Oil and Gas Management
scperry@pa.gov

Elizabeth Davis
Assistant Counsel
Bureau of Regulatory Counsel
elidavis@pa.gov