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Pennsylvania Department of Environmental Protection Proposes 250% Permit Fee Increase for Unconventional Gas Wells

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The Pennsylvania Department of Environmental Protection (DEP) has proposed a 250% permit fee increase for all unconventional gas wells. This would increase the current fee of \$5,000 to \$12,500. This will be the first increase in permit fees since 2014. In 2014, the fee structure was updated from a structure based on bore length (an average fee of \$3,200 per well) to a flat fee of \$5,000. The most recent increase comes as an attempt to alleviate the backlog of permit requests that are on file with the DEP. The total number of backlogged permits totals more than 10,000 as of December 2017, according to the DEP's annual report. This backlog is due to an increased workload for the agency, even though drilling and permit numbers have declined since the last fee change in 2014. The DEP states that the drilling of a well creates several other activities that all must be completed in connection with the inspection of the well itself. These other activities include inspections of access roads and water impoundments. The initial permit fee does not generate any other revenue for the DEP for the additional inspections that are conducted in future years. Therefore, the fee increase is an attempt to generate additional revenue for the agency, since the additional supporting workload increases for each well permit received.

The DEP receives state general fund appropriations, although these have decreased significantly over the past several years. Appropriations have steadily decreased from a peak of \$245 million in 2002-2003, to \$148 million in the 2018-2019 Pennsylvania state budget. However, Gov. Tom Wolf has stated that the 2018-2019 Pennsylvania state budget will provide an additional \$2.5 million to the DEP. These funds will be used to hire 35 individuals to fulfill positions throughout the agency, to assist with the timely processing of permit requests and other DEP functions.

In addition to Gov. Wolf increasing the DEP's general fund appropriation, Gov. Wolf has also stated that he will expand electronic permitting, so as to expedite the permit process by the end of the year. Currently the only state permits that are able to be applied for online are underground mining and storage tank renewal. This initiative would significantly reduce the amount of paperwork required for each permit, and expedite the entire permit process. Gov. Wolf's administration has also stated that they plan to support legislation that would allow for the permitting of multiple wells on one pad site with only one application. This would decrease the number of permits received by the DEP on an annual basis, since currently each well requires its own permit. This will also allow the agency to complete permit

applications in a more timely manner, based on the decrease in permits.

In summary, the permit fee increase will generate additional revenue for the DEP. In addition to the fee increase, Gov. Tom Wolf has allocated an additional \$2.5 million from the Pennsylvania state budget to the agency. This will be largely utilized to hire 35 individuals to assist with the processing of permits. Gov. Wolf has also stated that he will support legislation to expand electronic permitting for wells, and to allow the permitting of multiple wells, on one pad site, with only one application. All of these factors will increase the effectiveness and efficiency of the DEP's processing of gas well permit applications, and in return create a more streamlined process for all permit filers in the Pennsylvania Oil and Gas industry.

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