

By-Lined Article

PUC Powers Expanded Under New Marcellus Shale Law

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Marcellus Shale Law and Policy Update

The Pennsylvania Public Utility Commission (PUC) will have expanded powers of the purse and oversight under the shale impact-fee legislation recently signed into law by Pennsylvania Gov. Tom Corbett.

One lobbyist for the natural gas industry described the new powers as a "significant shot in the arm" for the regulatory oversight agency.

The new law authorizes the PUC to collect the impact fees from natural gas drillers and then to disburse the funds under the following general formula: 60 percent to the counties and local government that lie within the shale drilling area and the remaining 40 percent toward statewide environmental projects, including acid mine drainage remediation, water projects, flood control, statewide highway and bridge improvements, projects for open space and hazardous sites cleanup.

The PUC will also have pre-enactment and post-enactment oversight over local zoning ordinances. A local government can approach the PUC for guidance on whether a proposed zoning ordinance overly restricts drilling. A driller can also appeal to the PUC if it believes a zoning ordinance is enacted merely to restrict drilling.

Finally, the new law authorizes the commission to assess each well \$100 to cover its administration costs.

A spokesperson for the PUC said the Commission was setting the mechanisms in place for collecting the fees, and "writing the checks." The drillers begin paying the fees this September to cover drilling activity in 2011.

At a state Senate budget hearing on February 14, 2012, PUC Commissioner Rob Powelson told Appropriations Committee members that the commission would outsource the collection and disbursement of the impact fees for the short term—probably for the first 18 months.

The fee will rise from \$190,000 per well over 15 years if gas prices continue to sink and stay below \$2.25 per thousand cubic feet for 15 years. But if those prices triple, the fee would bring in \$355,000 over the same 15 years.

On top of the \$100 per well fee, lawmakers allotted \$250,000 from the state's General Fund to help the PUC incorporate the databases needed to track shale development.

The PUC has approximately 500 employees, with headquarters in Harrisburg and regional offices in Pittsburgh, Philadelphia and Wilkes-Barre. PUC's five commissioners are appointed by the governor and serve five-year terms.

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