



Marcellus Minutes

INDUSTRY NEWS | CAPITOL INSIGHTS

Marcellus Minutes is a subscription based newsletter and website that contains information on legislation including bill tracking, committee hearings and news on what is happening each session week in Harrisburg.

❖ [Blue indicates a hyperlink](#)

Around the Capitol

[GOP preps a no-tax budget, daring Wolf to veto](#)

State Impact Pennsylvanai

The centerpiece of Governor Tom Wolf's state budget died its umpteenth death around a negotiating table this week. Republican legislative leaders emerged from closed-door negotiations with the Democratic Wolf administration to announce that the governor's proposed severance tax on natural gas drillers is a non-negotiable no-go.

"Our counter-proposal was nothing," said Senate President Pro Tem Joe Scarnati. "Yeah, nothing."

Wolf adviser John Hanger said the administration offered major concessions on a Marcellus Shale tax: there would be no minimum price on gas, and drillers wouldn't have someone looking over their shoulder to double-check how much they make off the gas. The governor's team also offered to guarantee that the state's existing impact fee levied on drillers would remain, addressing a concern of communities that receive funding from the fee to address the effects of gas extraction and the industry that has sprung up around it.

All proposals were rejected by Republican leaders, said Hanger. Wolf had planned to use revenue from a severance tax to fund a \$400 million increase in funding for schools this year.

"Frankly, we're being met by a wall of ideology that is putting very special interests ahead of the people of the state," said Hanger. "In this instance, the drillers were put ahead of the school children of Pennsylvania."

The leaders of the Republican-controlled House and Senate have been opposed to a new drilling tax since before Wolf proposed it. They say it would cause the energy industry to pull out of Pennsylvania, but Democrats argue the industry would never desert the state's ample gas reserves.

Scarnati said a budget entirely of Republican making is being drafted now that will include no new taxes, and rely on revenues from changes to public pensions and liquor sales. He said it can be on the governor's desk by June 30.

[GOP preparing no-tax budget after dismissing Pa. Gov. Wolf's tax proposal](#)

Philly Voice

After dismissing Pennsylvania Gov. Tom Wolf's production tax proposal, the GOP is preparing a new, no-tax budget, [Newsworks](#) reports.

Pennsylvania Gov. Tom Wolf [had called for sweeping changes](#) to the tax code and larger investments in education. In March, he proposed lowering property taxes and raising revenue through increases in the state sales and income taxes. He also proposed a surcharge on natural gas drilling that would help fund education.

"We need a new approach -- and we need to question the decisions that got us to where we are today," Wolf [said in his budget speech](#).

Republican legislative leaders, after closed-door negotiations with the Democratic Wolf administration, announced that the governor's proposed severance tax on natural gas drillers had been rejected.

Wolf adviser John Hanger said the administration offered major concessions on a Marcellus Shale tax -- there would be no minimum price on gas, and drillers wouldn't have someone looking over their shoulder to double-check how much they make off the gas.

The governor's team also offered to guarantee that the state's existing impact fee levied on drillers would remain, addressing a concern of communities that receive funding from the fee to address the effects of gas extraction and the industry that has sprung up around it.

"Frankly, we're being met by a wall of ideology that is putting very special interests ahead of the people of the state," Hanger told Newsworks. "In this instance, the drillers were put ahead of the schoolchildren of Pennsylvania." Senate President Pro Tem Joe Scarnati said a budget that will include no new taxes and rely on revenues from changes to public pensions and liquor sales is currently being drafted and could be on Wolf's desk by June 30.

Legislative Update

[Everett to Reintroduce Natural Gas Royalty Legislation](#)

Rep Everett.com

In another effort to protect owners of natural gas royalty leases, Reps. Garth Everett (R-Lycoming), Sandra Major (R-Susquehanna/Wayne), Matt Baker (R-Bradford/Potter/Tioga), Tina Pickett (R-Bradford/Sullivan/Susquehanna) and Karen Boback (R-Lackawanna/Luzerne/Wyoming) today said legislation is being reintroduced in the form of [House Bill 1391](#) to guard natural gas royalty owners from unjustified post-production cost deductions.

At a Harrisburg press conference, legislators were joined by Trevor Walczak, vice president, National Association of Royalty Owners Pennsylvania Chapter, and Betsy Huber, government relations director, Pennsylvania State Grange.

"We fought for this legislation in the previous session in the form of House Bill 1684 and did not get a full floor vote," said Everett. "We were able to get bipartisan support from the House Environmental Resources and Energy Committee

last session and hope to get that again, but we will also press very hard for the full House to consider it. I believe it is imperative that we gain fairness for conventional and Marcellus natural gas land owners and operators.”

Everett said the Guaranteed Minimum Royalty Act (Act 60 of 1979) simply states that a lease for oil or natural gas shall guarantee a minimum one-eighth (12.5 percent) royalty. The development of unconventional shale gas wells (i.e. Marcellus) in the Commonwealth has been accompanied by an effort of some companies to reduce royalties below this statutory minimum by deducting what are known as post-production costs from the royalty payments to landowners. These post-production costs can include compression, dehydration, transmission and other costs incurred between the wellhead and a final market point of sale. When these expenses are deducted, final royalty payments often are below the statutory one-eighth.

[Senate Panel Approves Bartolotta Bill to Promote Beneficial Use of Treated Mine Water](#)

PA Senate GOP

The Senate Environmental Resources and Energy Committee approved legislation today that would reduce the use of fresh water in natural gas drilling operations by promoting the use of treated mine water, according to the bill’s sponsor, Senator Camera Bartolotta (R-46).

Many natural gas companies have significantly reduced their reliance on fresh water from Pennsylvania’s rivers and streams by adopting the environmentally responsible practice of treating and reusing water for their operations. However, questions regarding liability have prevented some companies from utilizing this innovative approach for treated mine water.

[Senate Bill 875](#) facilitates the use of this water source in oil and gas operations by clarifying liabilities associated with its use. “Utilizing treated mine water in natural gas operations holds the potential to significantly reduce the withdrawal demands on Pennsylvania’s rivers and streams,” said Bartolotta, who serves as Vice Chair of the committee. “Questions regarding liability are the biggest barrier preventing more companies from taking advantage of this environmentally friendly process.”

The legislation would not weaken or undermine any environmental safeguards designed to protect public health, Bartolotta said.

[Dinniman proposes legislation to allow taxation of natural gas pipelines](#)

Daily Local News

State Senator Andy Dinniman on Thursday introduced legislation to allow local municipalities and school districts to tax natural gas pipelines.

The proposed legislation, known as Senate Bill 905 calls for amending Title 53 of the Pennsylvania Consolidated Statutes to allow local governments and school districts to impose a real estate tax on natural gas and hazardous liquid pipelines. Currently, they are exempt from local taxation.

“It’s only right that pipeline companies pay a real estate tax just like property owners,” said Dinniman, D-19th of West Whiteland. “These corporations make a hefty profit by bringing their product to market and they do so by transmitting it right through our local communities, neighborhoods, parks and natural places.”

Dinniman said his bill reflects the impact the growing number of natural gas pipelines have on communities in southeastern

Pennsylvania and the importance of pipeline companies supporting local property owners and taxpayers.

“Twenty other states allow for the local taxation of natural gas pipelines and this bill is very similar to existing laws in neighboring states like New Jersey, Ohio and West Virginia,” Dinniman said. “The Marcellus Shale is here to stay. The drilling boom continues and more pipelines are on the way. Let’s make sure that our local municipalities and school districts get their fair share to help relieve property taxes and ensure that our residents are safe and our environment is protected.” While the milage of pipelines in Chester County will continue to increase, Dinniman said, he knows the residents and the environment can be protected by legislation that 20 states implemented.

“It is time for them to support the necessary local emergency response preparations and environmental protection and reclamation measures directly related to their operations,” Dinniman said.

In addition, Dinniman and state Senator John Rafferty Jr. have co-sponsored Senate Bill 557, legislation that establishes a pipeline impact fee in Pennsylvania. That bill calls for creating an impact fee that is calculated based on the acreage of linear feet plus right-of way width of a pipeline using the county average land value in an affected area.

“Although the natural gas drilling itself is not occurring in our region, our communities continue to be directly impacted by its growth in the form of the ever-increasing network of pipelines. Pipelines crisscross nearly every municipality in Chester County and more are on the way,” Dinniman said. “As a result, our communities continue to experience potential threats to public safety, as well as environmental and quality-of-life impacts.”

The fees generated by Senate Bill 557 would be collected by the Pennsylvania Public Utility Commission and deposited into a Pipeline Impact Fund where they will be disbursed to affected areas. Fifty percent of the revenue in the fund would be used to make an annual payment to each county where an affected area is located. Forty percent would be paid to the municipality in an affected area. The remaining 10 percent would be used for the fund’s administration.

House Bill 48 is voted out of House Consumer Affairs Committee - 6/24/2015.

The House Consumer Affairs Committee held a meeting to consider [House Bill 48](#), sponsored by committee Chairman Bob Godshall (R-Montgomery). The bill provides for the adoption of National Groundwater Association standards, and provides for water well construction standards; decommissioning of abandoned wells; water well completion reports; and inspections.

House Bill 48 was re-committed to RULES, June 24, 2015

Environment and Energy

Marcellus region to see wave of large pipeline projects

Pittsburgh Post-Gazette

Over the next three years, the Marcellus Shale region can expect to see about 17 pipeline projects meant to ship about 17.3 billion cubic feet per day of natural gas out of Pennsylvania, West Virginia and Ohio to end-users, according to IHS Energy. Those destinations “are varied, and in addition to New England, some are targeting the Midwest, eastern Canada and the South,” said Matthew Piatek, associate director of North American natural gas for IHS, which tracks energy markets

“Given the amount of production in the tri-state area currently, it will be able to satisfy the lion’s share of Mid-Atlantic and New England demand and still export a net amount of natural gas,” Mr. Paitek said.

The new infrastructure is in high demand. As natural gas production ramped up in the Marcellus and Utica regions, the existing pipeline network to take that fuel from well sites to market has been maxed out.

That has led to a supply glut and to depressed natural gas prices in Pennsylvania, even as neighboring New England and New York weathered dramatic natural gas price spikes during high-demand winter months.

“There will be significant relief with the buildout happening this year,” said Lindsay Schneider, principal analyst with Wood Mackenzie’s natural gas team.

Still, next summer could look a bit different from this one as low natural gas prices prompt drillers to pull back production, Ms. Schneider noted. Between 2014 and 2015, Wood Mackenzie estimates supply growth of about 2.1 billion cubic feet per day (Bcf/d) from the Marcellus. In 2015-2016, that is expected to fall to about 1.8 Bcf/d. [Read More](#)

Pa. oil and gas industry association takes DEP to court

TribLive Business

An oil and gas industry group on Friday accused Pennsylvania regulators of improperly including certain environmental requirements on applications for state well permits.

In two court filings, the Pennsylvania Independent Oil & Gas Association says the state Supreme Court threw out a section of the Act 13 oil and gas law of 2012 that allowed the Department of Environmental Protection to seek extra steps on the applications. The provisions require drillers in some cases to complete a form related to potential impacts on public resources, and consider potential effects of drilling on protected animals and plants.

“DEP cannot continue to require our industry to comply with these invalidated and enjoined provisions without obtaining authorization from the General Assembly,” Kevin Moody, attorney for Marshall-based PIOGA, said in a release. A DEP spokeswoman did not respond to a request for comment.

Act 13 rewrote much of the state's oil and gas law, in response to the boom in shale drilling. Several communities and groups challenged the law, and the Supreme Court in 2013 deemed parts of the law unconstitutional. The court disallowed enforcement of certain provisions related to the unconstitutional language.

DEP cites one of those disallowed provisions in the permit application requirements.

PIOGA's filings say the department can reject a permit application based on failure to follow the contested section. The group declined to say whether that has happened.

The group asked the Supreme Court for permission to intervene in the Act 13 appeal to challenge the DEP action, and filed a separate challenge in Commonwealth Court. [Read More](#)

News

Natural gas opposition has shifted to transportation, speakers say

Opposition to natural gas projects has moved from exploration and production to transportation, speakers said during a discussion on Capitol Hill of US gas infrastructure needs. “Pipeline opposition has become a stand-in for opposition to fossil fuels for some groups,” said Kim Watson, Kinder Morgan Inc.’s (KMI) eastern pipeline group president. [Read More](#)

State report projects increased demand for energy, lower costs if gas, oil prices remain low

Michigan residents and businesses will increase their power demand while paying lower prices this summer and fall, according to a new state report. [Read More](#)

Site of Ohio's potential ethane cracker confirmed

The communications team at Akron power company FirstEnergy Corp. has played coy about an open secret in the energy sector, Publicly, the company tells reporters its plans to sell the riverside R.E. Burger power plant are premature. [Read More](#)

Wolf Administration Forms Pipeline Task Force

Although Pennsylvania has experienced a recent boom in natural gas production, many wells have no direct connection to the main infrastructure of pipelines. [Read More](#)

Gene Yaw opposes proposed severance tax on Marcellus Shale drillers

State Senator Gene Yaw recently became the latest Pennsylvania lawmaker to join Speaker of the House Mike Turzai’s opposition to Gov. Tom Wolf’s proposed 5 percent severance tax on Marcellus Shale drillers. [Read More](#)

GOP lawmakers on path to passing budget Wolf doesn't support

The Republican-controlled Legislature appeared more firmly on course Monday to passing a state budget opposed by Democratic Gov. Tom Wolf, raising the likelihood of a veto and an extended stalemate. [Read More](#)

Pennsylvania Chapter 78 Rules on Oil and Gas Activities – New Issues, New Controversies

The ongoing effort by the *Pennsylvania Department of Environmental Protection* to develop new rules for oil and gas activities – *Chapter 78* for conventional and unconventional oil and gas operations – continues to make slow progress towards eventual promulgation in 2016. [Read More](#)

Shortchanged: the fight over gas royalties

As the natural gas industry took off, many Pennsylvanians leased their land for drilling with the understanding that under state law, they were entitled to a certain percentage of the money companies made from selling the gas. [Read More](#)

Climate Change Calls for Science, Not Hope

Is the American approach to combating climate change going off the rails? Last year, President Obama set a goal of reducing carbon emissions by as much as 28 percent from 2005 levels by 2025, only 10 years from now. [Read More](#)

Pennsylvania records shed light on shale-related health concerns

The Pennsylvania Department of Health kept a log of 86 reports of health complaints related to natural gas development between 2011 and 2015 that reveals both the array of concerns reported by residents and doctors and the limits of the agency’s efforts to investigate potential health effects that may be associated with the industry. [Read More](#)

Scaled-down shale tax in Pa. could spur deal on pensions, liquor privatization

With potential for government gridlock growing, lobbyists and lawmakers see a scaled-down version of Gov. Tom Wolf's proposed 5 percent natural gas severance tax as the way to reach a deal on pension and liquor reforms sought by Republicans. [Read More](#)

Air Products' LNG Technology and Equipment Picked Again for Freeport LNG Terminal Facility

Air Products (NYSE: [APD](#)), the global leader in liquefied natural gas ([LNG](#)) technology and equipment, announced today an agreement to provide its proprietary LNG technology, equipment, and process license for Freeport LNG Development, L.P.'s Train 3 gas liquefaction and export project. The sale includes Air Products' main cryogenic coil-wound heat exchangers and associated technology, which will be vital in the production of LNG at the facility near Freeport, Texas. [Read More](#)

DOE-Sponsored Project to Study Shale Gas Production

The Department of Energy's National Energy Technology Laboratory (NETL) and its partners, West Virginia University (WVU), Northeast Natural Energy (NNE), and The Ohio State University, are moving forward on a project to monitor the process and progress of unconventional gas production at a Marcellus Shale well near Morgantown, WV. [Read More](#)

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