PA Gas-Drilling Bill Debate Ends without Vote

MARK SCOLFORO,Associated Press

HARRISBURG, Pa. (AP) — Pennsylvania, the only major gas-producing state that does not tax the taking of natural gas from its soil, moved closer Tuesday to imposing a fee on the drilling in the vast Marcellus Shale reserves that have transformed the state in recent years.

The state Senate voted 31-19 in favor of fees that could raise $180 million from the industry in the first year, while expanding regulations for the booming industry, but debate in the House got under way late in the evening and lawmakers adjourned without taking a vote after running up against a nightly curfew.

The measure, which could return to the House floor on Wednesday, includes a requirement for online disclosure of chemicals used in hydraulic fracturing, or fracking, and would fund road work and environmental efforts. It also would allow local governments to decide whether to impose the fees on wells in their territory.

"The truth is, it's better than having nothing at all," said supporter Rep. Mario Scavello, R-Monroe. "It's generating plenty of money. It's made some improvements over what's in place, and we'll continue to monitor it."

Opponents called the bill a giveaway to energy companies and said its environmental provisions were too weak.

House Democratic Whip Mike Hanna, D-Clinton, said the approach put profits of multinational corporations ahead of the health and safety of state residents, and raised the specter of environmental damage from Pennsylvania's coal and timber industries.

"We have to learn from those past mistakes, and we should not repeat them," Hanna said.

But Senate President Pro Tempore Joe Scarnati said the new regulations included a toughest-in-the-nation well bonding requirement, "more penalties for misbehaving producers," stream setback rules, a one-call system before drilling starts and the fracking chemical disclosure.

"These wells have impacted our environment, and people's lives in the region and beyond," Scarnati said.

Since 2008, Pennsylvania has been mobbed by energy companies eager to reap the reserve's riches, drilling at least 4,000 wells in an arc that spans the state, from southwest to northeast.

Several supporters spoke of a desire to regulate the activity without hampering a

growing industry that has brought employment and investment to areas that need both.

"This bill is good for Pennsylvania, it's good for jobs, it's good for the environment and it's going to help us maintain a dedicated revenue source for so many valuable programs," said House Appropriations Chairman Bill Adolph, R-Delaware.

The gold rush has brought wealth to landowners but not without impact and controversy.

Some residents claim their drinking water supplies have been fouled, perhaps contaminated forever, by the fracking process that blasts millions of gallons of water, chemicals and sand deep into the earth to free natural gas from the dense shale rock, or by leaking methane gas. The Environmental Protection Agency is investigating reports of contaminated water in the Dimock area.

In addition, the trucks that haul thousands of gallons of water to the drilling sites and the fracking wastewater away from those wells have aggravated neighbors with the constant traffic, battered roads and occasional spills.

Some local governments have moved to regulate aspects of the drilling, including passage of zoning restrictions that have been challenged in court. The legislation under consideration would require municipalities to require drilling in all zones, including residential, but would allow them to impose rules on it equal to those that other industrial activity is subject to.

Republican Gov. Tom Corbett, viewed as an ally of the industry, has opposed a severance tax on grounds it might make Pennsylvania less attractive to the industry, but he was an active participant in the talks that produced the current bill, with its impact fee language.

The industry itself has been split on whether to support a levy, and the current bill would not link the fee amount to how much a well produces, as is the case in some other gas-producing states.

The fee could be applied to all Marcellus Shale wells, and Republicans said it could bring in more than $1 billion in the first five years. The levy would be tied to the price of natural gas and inflation.

Republicans said it would amount to an effective tax rate of about 3 percent, while Democrats said it was more like 1 percent, a sign of how polarized the debate has been.

"This is a tax," said Sen. Mike Stack, D-Philadelphia, who voted no. "And it's a cute way of passing a tax that's a bad tax."

Sen. Jim Ferlo, D-Allegheny, said the bill would restrict local control over drilling rules.

"Don't try to give us a bunch of baloney about maintaining local control on zoning," Ferlo said. "Nothing could be further from the truth."

Counties would be allowed to decide on whether to impose the fee, but if a county does not, and enough of its municipalities want it, they would be able to override the county.

Proceeds would help fund drilling regulation, fix bridges and water and sewer plants, buy fleet vehicles powered with natural gas and possibly help develop a petrochemical refinery in southwestern Pennsylvania and reuse three Philadelphia-area oil refineries that are shutting down.

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