

Governor Chris Christie
Governor Andrew Cuomo
Governor Jack Markell
Brigadier General Kent Sarve
Ms. Carol Collier

July 2, 2013

Dear Members of the Delaware River Basin Commission and Ms. Collier:

As a former Commissioner of the Pennsylvania Public Utility Commission and Secretary of the Pennsylvania Department of Environmental Protection, I am writing to respond to Governor Corbett's letter to you dated Thursday, June 26th. Unfortunately, the Delaware River Basin Commission can have no confidence that Governor Corbett and his Administration will provide the regulatory oversight of gas drilling needed to protect Pennsylvania's portion of the Delaware River watershed.

Natural gas production is an industrial activity that must be strongly regulated and should be reasonably taxed. Strong regulation is needed to maximize the benefits of gas and minimize its impacts. Gas emits no soot, mercury, lead or arsenic when combusted and helps to reduce dangerous air pollutants when it displaces coal or oil that emit massive amounts of soot and toxic metals into the air. As such, gas can save lives and prevent illness.

Other benefits of gas production in Pennsylvania include lease and royalty payments to landowners that total about \$750 million per year, support of approximately 100,000 jobs when both direct and indirect positions are counted, and lower natural gas and electricity bills that save many families at least \$1,000 per year in energy costs. The benefits of gas production are substantial, though by failing to tax natural gas drilling Pennsylvania needlessly continues to miss as much as \$800 million of tax revenue that could be raised and used for education and environmental improvements.

Though the benefits of gas production can be substantial, no energy production takes place without any impacts. That is true of gas production. Mistakes in the cementing and casing of gas wells in Pennsylvania have caused methane to migrate and to contaminate some water wells, as happened at 18 water wells in Dimock. Truck traffic does cause road damage that gas companies are required to repair at their expense. Accidents and spills at the surface can cause pollution of surface and groundwater. Five explosions and fires at gas compressor stations have happened in Pennsylvania since just 2011. Air emissions and fugitive methane emissions from gas production equipment are real issues that must be regulated.

Gas production's level of impact at local levels will be higher or lower depending on the strength of regulation and the operational performance of gas drilling companies and their vendors. Unfortunately, from the first days of his term in office to the day that Governor Corbett wrote you, Governor Corbett has weakened the Pennsylvania Department of Environmental Protection (DEP) and its oversight of the gas industry to the point where DEP is not adequately regulating the gas industry in Pennsylvania where gas drilling is now taking place. Instead of strengthening oversight of current gas drilling, Governor Corbett attacks the DRBC in an effort to expand gas drilling.

Not surprisingly, Pennsylvanians have lost confidence in the Governor's ability and willingness to oversee the gas industry. The collapse of public confidence in the Governor's regulation of the gas

industry is almost total in portions of Pennsylvania within or near the Delaware River watershed. This deplorable situation is the result of seven factors.

First, and most importantly, even though the gas drilling industry has grown enormously in Pennsylvania since Governor Corbett took office in January 2011, Governor Corbett has not expanded substantially the size of DEP's gas drilling regulatory staff to keep pace with the growing industry that now produces more than 2 trillion cubic feet of gas per year or approaching 10% of all the gas produced in the USA. At this point, DEP's gas drilling regulatory staff is at least 50 percent too small to provide appropriate regulatory oversight of the areas where gas drilling is now taking place, even before the Pennsylvania portions of the Delaware River basin are added.

Of course, providing appropriate oversight of new gas drilling in the Delaware River watershed will require additional staff and regulatory offices over and above the levels needed to regulate in those areas where gas drilling is now taking place. But Governor Corbett has made no statement about adding additional gas regulatory staff to meet the new DEP responsibilities in the Delaware River Basin. Indeed, now in his third year, the Governor has no plans to expand the DEP gas drilling regulatory staff anywhere in Pennsylvania.

To put it simply, without substantially increased DEP gas drilling regulatory staff, Pennsylvania's regulation of gas drilling in Pennsylvania and the Delaware River watershed will be inadequate.

Second, Governor Corbett and his political appointees have chilled enforcement of gas drilling rules by DEP. The Governor fired two DEP regional office directors that were known to enforce strongly Pennsylvania's environmental regulations. His administration notoriously issued an edict that an inspector must get permission of the secretary of the DEP to issue a notice of violation to the gas drilling industry. Tellingly, approval by the secretary of a notice of violation was required only for those violations issued to the gas industry. The chilled enforcement of gas drilling rules is one reason why the number of violations issued to the gas industry has fallen by 50% since 2010, the year before Governor Corbett took office.

Third, Governor Corbett successfully advocated for state legislation that sharply limits the ability of local governments to regulate gas drilling, including zoning and siting of gas drilling. As a result, local governments have been handcuffed in their ability to balance the production of gas with other community interests in a way that was not the case prior to 2011.

Fourth, Governor Corbett's Administration has gone out of its way to attack the Environmental Protection Agency (EPA) and its regulatory oversight of the environment. His administration described EPA as a "rogue agency" and opposed vital EPA regulations concerning toxic air emissions and global warming pollution. All of the Corbett Administration's criticisms of the EPA head in just one direction. His administration consistently attacks the EPA for supposedly too strictly regulating or too strongly protecting our air, land, water, or climate.

In order to protect the Delaware River watershed, Pennsylvania must have a governor genuinely committed to environmental protection and who works professionally and effectively with the EPA and federal regulatory partners. Governor Corbett's record shows that he is not that governor.

Fifth, Governor Corbett in his first two years in office cut by approximately 15 percent the General Fund budget of DEP and also stopped desperately needed fee increases for air permits, coal mining and other

activities that were in the process of being adopted when he took office. Governor Corbett's budget cuts and cancellation of proposed fee increases further weakened the ability of DEP to do its job. Yet, now Governor Corbett wishes to expand DEP's responsibilities.

Sixth, Governor Corbett also has sent a clear message that he thinks little of DEP's importance by failing to nominate a permanent secretary to replace Secretary Krancer who left in April. This is an extraordinary failure by the Governor that speaks volumes.

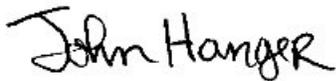
Seventh, the Corbett Administration has had combative and dismissive responses to persons raising legitimate issues and problems with gas drilling. Every complaint should be professionally and independently investigated. Unfortunately, the Corbett administration has no such record.

For all the reasons above, Pennsylvania is in no position today to provide proper oversight of gas drilling in the expanded area of the Delaware River watershed. This failure rests at the feet of Governor Corbett. It harms both landowners who want to produce gas, drilling opponents and all Pennsylvanians.

Unless Governor Corbett immediately reverses course, Pennsylvania cannot adequately partner with the DRBC or federal regulatory agencies to strongly regulate gas drilling in the Delaware River Basin, because it has neither the necessary resources nor the will to do so. Therefore, the DRBC should not move forward with drilling in the Pennsylvania portion of the Delaware Basin, until DEP has the capacity and the will to meet what would be expanded and new responsibilities to oversee gas drilling in the Basin. A good way for Governor Corbett to provide the resources and to demonstrate that will would be to hire immediately at least an additional 105 staff for DEP's gas regulatory staff and to create a Gas Drilling Citizens Ombudsman office to professionally and independently investigate citizen complaints concerning gas drilling.

Public confidence in Governor Corbett's regulation of gas drilling has collapsed and for real reasons. The Governor can reverse course on his mistaken policies to rebuild confidence or plow ahead and deepen mistrust. It is past time to take strong action to insure that gas drilling is strongly regulated as well as reasonably taxed.

Sincerely,

A handwritten signature in black ink that reads "John Hanger". The signature is written in a cursive, slightly slanted style.

John Hanger