



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2528

PRINTERS NO. 3606

PRIME SPONSOR: Struzzi

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: House Bill 2528, Printer's Number 3606, provides for requirements related to the use of Federal funds for addressing orphaned well plugging projects as administered by the Department of Environmental Protection.

ANALYSIS: This bill amends Title 58 (Oil and Gas) to further address oil and gas well plugging oversight, provide for the allocation of federal funding and establishment of oil and gas well plugging grant program as administered by the Department of Environmental Protection (DEP), and provide for well plugging contracts.

Section 2811 outlines the requirements for the use of federal money received from the Orphaned Well Site Plugging, Remediation and Restoration Program under Section 40601 of the Infrastructure Investment and Jobs Act (public law 117-58, 135 stat. 429) that is appropriated by the General Assembly. No less than 20% of the amount shall be made available for grants under subchapter c (relating to orphan oil and gas well plugging grant program) for a period of no less than 12 months after publication of the notice under section 2823(c) (relating to eligible wells). If any amount made available remains uncommitted six months prior to any date of recapture by the federal government, the department may use the amount in any other manner in accordance with federal law and guidance.

The department shall keep records sufficient to document compliance with the requirements imposed under the Federal Orphaned Well Site plugging, Remediation and Restoration Program. The department may not impose requirements on the recipients of the federal money that are stricter than the requirements imposed under state law or applicable federal requirements when awarding grants.

The bill establishes the Orphan Oil and Gas Well Plugging Grant Program within DEP and that a qualified well plugger that plugs an eligible well shall be eligible for a grant as provided under the program. A grant under this program shall be:

- 1) in the amount of \$40,000 for every eligible well plugged that is an orphan well of a depth of 3,000 feet or less or the actual cost of the qualified well plugger to plug the well, whichever is less.

- 2) in the amount of \$70,000 for every eligible well plugged that is an orphan well of a depth greater than 3,000 feet or the actual cost of the qualified well plugger to plug the well, whichever is less.

If the department finds that it is not receiving an adequate number of grant applications, DEP may increase the amounts at its discretion by posting the increased amounts on its publicly accessible internet website. However, the department may not decrease the amounts.

Section 2823 outlines how the department shall publish its information about eligible wells on its publicly accessible internet website, including a list of each eligible well and any relevant identifying information and any available technical data that would be necessary for a qualified well plugger to plug each eligible well on the list.

Section 2824 lists criteria that demonstrate if a person would be considered a qualified well plugger, such as having access to the equipment, materials, resources and services to plug wells related to plugging requirements of the program.

In order to receive a grant under this program, the applicant, or a parent or subsidiary business entity of the applicant, may not be in continuing violation of this chapter or any other statute or regulation administered by DEP unless the violation is being corrected to the satisfaction of the department.

DEP shall accept applications until the amount available for grants is committed to projects initially approved. As additional amounts are made available for the grant program, DEP shall recommence accepting applications no later than seven days after the additional money is made available.

Additional language is included under the section addressing initial approval of the grant application, specifically that:

- the qualified well plugger has submitted adequate documentation of the cost for the plugging of an orphan well.
- the qualified well plugger has submitted any other information or document necessary for compliance with the Federal Orphaned Well Site Plugging, Remediation and Restoration Program.

It also states that the department may, in its discretion, amend the grant award to cover the additional cost, if provided with adequate documentation of those unexpected additional costs. The additional grant amount under this subsection shall not exceed the amount of the grant for a specific orphan well. The department may not award the additional grant amount under this subsection to a qualified well operator without receiving an adequate proof of cost from the qualified well plugger.

Section 3271.1 is added addressing well plugging contracts and general rule related to Pennsylvania companies bidding on the contract. Any Pennsylvania company shall be allowed to bid for a contract that the department plans to award for plugging oil or gas wells, regardless of the size of the company.

The term "Pennsylvania company" means a business entity that:

- (1) has its main offices or headquarters located within this Commonwealth and conducts at least 50% of its business activities within this Commonwealth; or
- (2) will bid for state contracts for plugging oil or gas wells and subcontract the work to subcontractors selected through a competitive bidding process that gives priority to subcontractors that satisfy the criteria specified under paragraph (1) when possible.

This legislation would take effect in 60 days upon enactment.

FISCAL IMPACT: Costs related to the enactment of this legislation are indeterminable as it will depend upon the number of and amounts per contract bid being submitted. It should also be noted that, while Pennsylvania was awarded its initial \$79 million allocation in formula grants from the Federal Department of Interior in January 2022, Federal guidance has yet to be issued for states to officially apply for and be awarded these funds. It is understood that there will be a five-year grant obligation deadline that will begin once Pennsylvania is awarded these funds.

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House Appropriations Committee (R)

DATE: October 26, 2022

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.