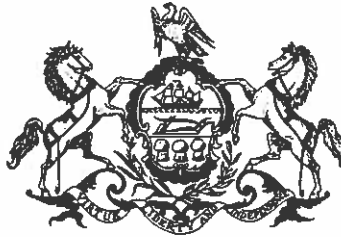


EDDIE DAY PASHINSKI, MEMBER

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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

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SUBCOMMITTEE CHAIRMAN ON
PROGRAMS AND BENEFITS
HUMAN SERVICES
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POLICY – VICE CHAIRMAN
STATE GOVERNMENT

MEMORANDUM

TO: All House Members

FROM: Representative Eddie Day Pashinski

DATE: March 21, 2011

SUBJECT: Co-Sponsorship of Legislation – Natural Gas Storage Tax

In the near future, I will be introducing legislation to establish a natural gas storage tax in Pennsylvania.

According to the Energy Information Administration of the U.S. Department of Energy, Pennsylvania is among the largest natural gas storage states in the country. As of December 2010, it is estimated that over 651,000 million cubic feet (mcf) of natural gas lies in underground storage in the Commonwealth. Further, storage amounts in the Commonwealth, as reported by the Energy Information Administration, are highest between the months of September to November, before the start of the winter heating season. As Marcellus Shale drilling increases throughout the state, it is imperative that we capitalize on the production and subsequent storage of natural gas throughout the Commonwealth.

Specifically, this legislation will create a 35-cent per volume (mcf) tax on each unit of natural gas placed into underground storage. Additionally, the tax rate will be subject to an annual base rate adjustment of six percent of the average NYMEX Henry Hub settled price for natural gas on the last trading day of the month. With the annual base rate adjustment, the tax rate could increase should there be a substantial rise in the price of natural gas, but will never fall below the 35-cent per volume rate.

Revenue generated from the storage tax would be distributed toward the General Fund, the Environmental Stewardship Fund, the Local Government Services Fund, as well as other funds related to environmental protection. Starting in FY 2011-12 and thereafter, 50 percent of storage tax revenues would be distributed to the General Fund, 20 percent to the Local Government Services Account, and 15 percent to the Environmental Stewardship Fund. The remaining revenue would be divided among the Hazardous Sites Cleanup Fund, the Conservation District Fund and various state agencies that assist in environmental protection and enforcement.

As natural gas drilling increases throughout the state due to the enormous potential of the Marcellus Shale, it is crucial that we continue to protect and preserve the vast natural resources of this great Commonwealth. If you would like to co-sponsor this resolution, please contact Lauren at lbordner@pahouse.net.