



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

December 31, 2012

Subject: Annual Report of the Use of Funds Received from Act 13 of 2012

To: Mr. Charles B. Zogby, Secretary of the Budget
The Honorable Jake Corman, Chairman of the Senate Appropriations Committee
The Honorable William F. Adolph, Jr., Chairman of the House Appropriations Committee

From: Robert F. Powelson
Chairman, Public Utility Commission

Act 13 of 2012 provides for the imposition of an unconventional gas well fee (also called a drilling impact fee), and the expenditure of the funds generated by that impact fee to local, county and state government purposes specifically outlined in the law. Under the law, the Pennsylvania Public Utility Commission administers the collection and disbursement of the fees.

Pursuant to Section 2314 (c.3) of the Act, all agencies or organizations receiving funds under subsections (c), (c.1) and (c.2) shall submit a report by December 31, 2012 and December 31 of each year thereafter to the Secretary of the Budget and the Appropriations Committee of the Senate and the Appropriations Committee of the House of Representatives. The report shall include an itemization and explanation of the use of all funds received under these subsections.

Under Section 2314 (c.1), the Public Utility Commission received \$1 million for costs to administer Chapter 23 and Chapter 33 (relating to local ordinances relating to oil and gas operations). The following pages outline the itemization and explanation of these funds.

If you have any questions regarding this report or need any additional information, please feel free to contact our Director of Administration, Robert C. Gramola at 783-5375 or rgramola@pa.gov.

NARRATIVE

The attached SAP spreadsheet outlines our \$1 million budget for administering the collection and disbursement of Act 13 funds as well as issues relating to the zoning requests from municipalities and the litigation in both the Commonwealth court and the PA Supreme court. The budget and associated expenditures are segmented in two categories- Personnel and Operations.

The Personnel expenses include salaries and benefits for staff working on the Act 13 initiative. This staff includes administrative staff, attorneys, fiscal staff, IT staff and management staff.

The Operational expenses include the IT contract for Application Development work of the automated program to track producer payments, calculate disbursements and capture the use of the funds for Act 13. Additional Operational expenses are for legal services from outside counsel on the review and training of PUC staff on Municipal Zoning Law and for litigation associated with Act 13 court proceedings.

As of the end of December 2012, we have expenditures of \$438,970; leaving a balance of \$561,030 for the remainder of the 2012-13 fiscal year.

PA Public Utility Commission - Act 13 UnconventionAL Gas Well Fee Administration
 Fiscal Year 2012-13
 As of December 28, 2012

<u>Fund</u>	<u>Fund Title</u>	<u>Control Level</u>	<u>Commitment Item</u>	2012-13 Budget	Expenditures as of 12/28/12	Available Balance
3032512000	PA PUC Gas Well Fee Admin	Personnel Expenses	PersonnelServices	\$550,000.00	\$274,959.00	\$275,041.00
			Total Salaries and Fringe Benefits	\$550,000.00	\$274,959.00	\$275,041.00
		Operational Expenses	IT Contract Application Development	\$300,000.00	\$150,488.00	\$149,512.00
			Legal Services/fees	\$150,000.00	\$13,523.00	\$136,477.00
			Total Operating Expenses	\$450,000.00	\$164,011.00	\$285,989.00
			Total	\$1,000,000.00	\$438,970.00	\$561,030.00