



**Remarks of Marcellus Shale Coalition President Kathryn Z. Klaber
Before the
Philadelphia Energy Authority
Philadelphia, Pennsylvania
May 23, 2012**

My name is Kathryn Klaber and for the past two years, I have served as the President of the Marcellus Shale Coalition (MSC), the leading trade organization for the industry in the Marcellus and associated shale states in this part of the country.

The region is very important to me as I lived in Philadelphia in the 1990s. Our first son was born down the street at Pennsylvania Hospital.

The region is very important to the industry I represent given the relative amount of natural gas that is used here and the influence that you have on the rest of the Commonwealth.

The environment is also very important to me – it was my major in college, my concentration in business school, and major part of my career. In fact, in my 10 years in environmental consulting here in Philadelphia, we would often swap out diesel and fuel oil in the region’s boilers for clean-burning natural gas in order to meet the regional air quality standards.

The environment is very important to our industry. The business takes place in that environment so they have a significant appreciation for and extensive experience in the issues at hand. They are engineers, geologists, and natural scientist who also live and work here in Pennsylvania, raise their children, and are avid outdoors-people.

I would like to make four key points about our topic today.

1. Using natural gas as a transportation fuel will improve air quality.

- This is one of the remaining areas of the country that has not yet met the national air quality standards for ozone and particulate matter. So what would happen if we would use more of this American-made fuel?
- We looked at a representative Philadelphia neighborhood
 - Neighborhood is 1.7 sq. miles in area
 - Includes 22.5 miles of “local roads” and 1.5 miles of “highway”
 - “Base Case” has the following vehicles
 - Delivery Trucks: 10 deliveries/day, 6 day/week, 52 week/year
 - Garbage Trucks: 2 routes/week, 52 week/year
 - Semi-Trailers: 840 vehicles/day, 7 day/week, 52 week/year

- School Buses: 4 buses at 2 trips/day, 5 day/week, 37 week/year
 - All vehicles run on diesel fuel
- “CNG Case”: Same as Base Case, but all vehicles on natural gas
- What happens with a switch to natural gas?
 - Nitrogen Oxides 42% reduction
 - Carbon Monoxide 88% reduction
 - Sulfur Dioxide 95% reduction
 - Particulates 6% reduction
 - Hydrocarbons 91% reduction

That means environmental benefits to the people of Philadelphia along with the new jobs to go with it.

2. Pennsylvania’s (and our nation’s) natural gas industry is making this clean-burning fuel available to all of us at historically low prices.

- Energy prices are lower for families and employers.
- PGW’s rate per thousand cubic feet of gas delivered to Philadelphia homes and businesses was \$10.58 in 2008 and it was \$6.06 in 2011. That is a 43% change resulting in an average monthly savings of \$67.80. That is more than \$800 per year for each customer. PECO, UGI, and utilities throughout the state experienced similar changes.
- And that doesn’t even include the electricity savings that were so important to all of us in Pennsylvania as we transitioned from a regulated to a deregulated electricity market.
That results in savings in the billions of dollars per year for the people of our Commonwealth.

3. The industry is paying significant tax and fee revenue to the Commonwealth in addition to providing more than 200,000 jobs according to the Department of Labor.

- We paid more than a \$billion in state and local taxes and fees last year – funds that would have not been in the state coffers but for the activity of the industry. We have paid half a billion dollars on road construction so we can operate our vehicles safely in our communities.
- Act 13 included a new fee on the industry, with first payments being made in September retroactively on all wells drilled to date, and continuing annually. These fees support a wide range of state and local priorities, including environmental programs.



4. Environmental and safety regulation are very tight on our industry, as they should be.

- The state’s Marcellus Shale Advisory Commission report included a full 22 pages of single-spaced lists of regulations that apply to our industry – it is heavily regulated.
- We have the most protective water disposal regulations of any industry in the Commonwealth. Over the last two years, under the Rendell and Corbett administrations, new requirements have been implemented that prohibit disposal of shale water to any water of the Commonwealth, and require that any water that would be disposed to meet the safe drinking water standard before it even enters a treatment plant.
- Our well casing standards have been upgraded to require multiple layers of steel and cement between the contents of the wells as it travels from a mile underground to the surface and the surrounding environment.
- We now test every private water well within thousands of feet of a proposed drilling site to determine the quality of that water prior to industry activity and provide that data, free of charge, to homeowners who typically have never had their water wells tested. Unfortunately, our test results are finding that many of the approximately 1.2 million private drinking water wells in the Commonwealth have levels of methane and other compounds at unsafe levels already in them prior to drilling.
- But we are bringing awareness and solutions to those well owners as a corollary benefit to natural gas development.

While benefits of natural gas production are becoming more real every day for Pennsylvanians, residents of greater Philadelphia have real questions about natural gas development.

- How the production process works.
- How it impacts our environment.
- How it relates to economic development opportunity.
- What the role of government is in Marcellus development.

Our industry and many other stakeholders in this region are launching a unique effort through which we will turn to all residents of this region to ask their questions on natural gas production.

This effort will inform what we believe will be a trusted source for answering these important questions in a fact-based manner. Please consider contributing your questions, starting in several weeks.

