

**Confirmation Testimony**  
**By**  
**Acting Secretary John Hanger**  
**Department of Environmental Protection**  
**Before the Senate Environmental Resources & Energy Committee**  
**Wednesday, April 1, 2009**

Madam Chairman, Senator Musto and distinguished members of the committee, it is an honor for me to appear before you as Governor Edward G. Rendell's nominee for the Commonwealth of Pennsylvania's Secretary of Environmental Protection. Since I became Acting Secretary on September 2, 2008, I have worked with you, Madam Chairman, members of this committee, as well as all the members of the Senate and House to address the important environmental and energy issues that face your districts as well as the commonwealth.

The last seven months have been full of challenges for the people of Pennsylvania and its public officials, but together we have made progress. Consider just the following:

On energy conservation, the General Assembly passed Act 129 in October, a landmark piece of legislation that will make Pennsylvania a leader in electricity conservation when it is fully implemented. Pennsylvanians will now have additional tools to reduce their electricity bills and Act 129, by reducing total annual consumption by 3% and peak electricity demand by 4.5%, will help to reduce or moderate electricity prices, as price caps end in the remaining parts of Pennsylvania (rate caps have ended in six electric service territories). Act 129 will also reduce pollutants in the most economical manner and help protect public health.

In January 2009, after years of work by you Madam Chairman, this committee, the General Assembly, and Governor Rendell to update our coal mining safety laws, the inaugural meetings of the new Board of Coal Mine Safety were held. Protecting the safety of miners is a daily job that the department takes most seriously. It is my responsibility to serve as the chairman for this important board.

Also after years of work by Senator Erickson and Representative Vitali, Act 70 was passed that directs the Department of Environment Protection to work with a Climate Change Advisory Committee and to write a report for the General Assembly and the Governor. In September the Climate Change Advisory Committee met for the first time and we have been hard at work on this important matter.

In November, the voters approved a referendum that provides another \$400 million for important water projects. Governor Rendell asked that I work to explain the importance of that referendum, and I did a large number of events to do so. Now there is a combined \$1.4 billion in state and Recovery money for water projects. As vice-chairman of Pennvest, spending this money wisely is a high priority for me. The \$1.4 billion gives Pennsylvania the resources to address pressing issues like raw sewage flowing into rivers and Chesapeake Bay clean up.

Since September, we have also focused on the opportunities and challenges posed by the enormous Marcellus natural gas reserve. Producing the gas and protecting the water are equally vital. We have taken concrete measures to do both, such as adding 37 employees to DEP's oil and gas staff to assist with permits and inspections, opening a new oil and gas office in Williamsport, and raising the gas permit fee for Marcellus wells that had been \$100 and had not been raised since 1984 when it was first set.

Pennsylvania now stands ready to be a clean energy powerhouse. We can be a top five natural gas producing state, and natural gas is cleaner burning than many alternative fuels. We can lead on conserving energy, creating tens of thousands of jobs and reduce pollution.

We can be a national and world leader in the solar industry, using solar power and manufacturing it. Solar will be a major, global industry within 20 years, and it will be an enormous industry within 50, years and Pennsylvania must be a leader in its growth.

We can be a wind power, geothermal, and hydro leader. We also must be a world leader in deploying carbon capture and storage technology for our coal plants and other carbon sources.

Capturing carbon and storing it is essential to both our economy and to stabilizing atmospheric concentrations of carbon dioxide. The Governor has asked me to do whatever I can to move forward carbon capture and storage technology. I congratulate Senator Erickson as well as Representatives Vitali and Ross for their introduction of Senate Bill 92 and House Bill 80 that would boost renewable energy and carbon capture and storage technology.

By being a clean energy powerhouse in energy conservation, natural gas, solar, carbon capture and storage technology, as well as wind, geothermal, hydro, bio-diesel, and cellulosic ethanol, Pennsylvania will create hundreds of billions of new wealth, hundreds of thousands of new jobs and cut substantially the pollution of our air, land, and water that harms ecosystems and sickens human beings.

In January and February 2009, the department opened two new energy conservation programs made possible by Act 1, the \$650 million Alternative Energy Funding bill that was passed in July 2008. One program is for small businesses and one is for residential consumers. Both programs were opened without adding one additional employee.

Also since September the department continues to administer its many vital programs and services, including Growing Greener II that you Madam Chairman and members of this Committee were instrumental in establishing. As DEP goes about its work, it cannot be a see-no-evil-hear-no-evil regulatory agency. Yet, nobody at DEP comes to work to put anyone out of a job. The old battles between jobs and public health and the environment are being solved by technology and a changing economy, where clean companies and communities are competitive, surviving and growing. Clean companies and communities are efficient and attract and keep investment. They also depend on compliance with the law.

Indeed our market economy to function in a sustainable manner depends on sensible rules and reasonable enforcement of them. I support competitive market approaches to problems, as my career demonstrates. I support nutrient trading markets. I support markets for alternative energy credits. I support sulfur dioxide, nitrogen and carbon markets. I support competitive markets for natural gas, electricity, and telecommunications.

But I also understand that markets can be manipulated and will implode without reasonable rules and without regulators who understand that government plays a vital role in the functioning of a healthy market and are willing to enforce necessary rules.

Of course since September, we also have found ourselves in the middle of a global economic crisis that has caused millions of Americans to lose their jobs, lose health insurance, and have hours of work reduced. While Pennsylvania's unemployment rate is lower than the national average and much lower than states like California, South Carolina, Michigan, and Nevada, our unemployment rate is rising too. And while Pennsylvania's real estate markets are less damaged than Florida's, Arizona's, Nevada's, or California's, many Pennsylvanians have lost homes or are near foreclosure. Our economic problems have made state budget cuts necessary. We are in this problem together, and I am committed to working together to play our role in getting us out.

These are just a handful of the many, many issues and problems that we have worked on together to sensibly solve. I appreciate the interest and support of this committee and the General Assembly in these matters.

When Governor Rendell asked me to serve as the Acting Secretary of the Pennsylvania Department of Environmental Protection, I had one question for him: "What do you want me to do?"

The Governor replied quickly and comprehensively that he wanted me to:

1. Help to enact the remainder of his Energy Independence legislative package which at that point was Act 129 that was passed in October 2008 and which will make Pennsylvania a leading electricity conservation state;
2. Implement the numerous landmark energy and environmental statutes and regulations passed since 2003 such as the Alternative Energy Portfolio Standards law passed in 2004, Growing Greener II, and Act 1 or the \$650 million alternative energy funding bill passed in 2008, so that Pennsylvania generates new energy supply from alternative sources, creates thousands of green jobs, and reduces pollution that harms people and ecosystems;
3. Work with Climate Change Advisory Committee to write the climate change plan required by Act 70 that was passed in July 2008;
4. Focus on a series of water issues, including the Chesapeake Bay, buffers, the state water plan, water and sewer infrastructure projects and funding, dam and flood protection projects and flooding, and drilling for Marcellus shale gas where the Governor stated he wanted to produce the gas and protect our waters; and
5. Operate and manage the daily operations of the Department of Environmental Protection to insure that it is achieving its mission of protecting Pennsylvania's natural resources.

Governor Casey who nominated me to serve as a Commissioner to the Pennsylvania Public Utility Commission (PUC) said that in public office: "if you do not toot your own horn, there is no music." With that insight in mind, based upon my education, knowledge, and 25 years of experience in utility, energy, and environmental law, policy and regulation, I knew that I could move forward the agenda that Governor Rendell described and so I accepted his request that I serve.

Serving people, this state, and my country is my reason for being in front of you today. My work as Acting Secretary since September 2008 is the second time that I have been in public service. I was previously confirmed in 1993 by the Senate to serve as a Commissioner of the PUC. Indeed my 25 years of experience with utilities, energy and the environment give me a great ability to help Pennsylvania in these critical times to win billions of dollars of investment that will create hundreds of thousands of jobs in clean or cleaner energy sectors such as energy conservation, renewable energy, and natural gas industries. Specifically between September 2008 and the end of Governor Rendell's term, our goal is to build another 1,000 megawatts of renewable energy and to help Pennsylvania companies and communities successfully compete to bring more than \$1 billion of new federal energy and other environmental funding to Pennsylvania.

My belief in public service stems in part from my immigration to this country five days before my thirteenth birthday in 1970. I received opportunity and support in the United States of America, including government student loans that enabled me to pay for my legal education at the University of Pennsylvania School of Law from 1981 to 1984. As most immigrants do, I work hard each day. The death of my father at an early age during the first semester of my first year of law school taught me today is precious and the next day is not guaranteed, so it is important to make the most of and to be thankful for each day.

Public service and efficient government is vital to our market economy, our environment, public health, and national security. Public service done well requires hard work, thoughtfulness, attention to facts, a willingness to listen, and pragmatically solving problems. I also fully understand the difference between being an advocate in the private sector and being a public servant.

My first priority when I became Acting Secretary in September was to provide a smooth and seamless transition after the great leadership of Secretary Kathleen McGinty to ensure that the work done at the department and the needs of Pennsylvania's environmental resources, its families and businesses were met without interruption. That goal has been accomplished, despite the unexpected challenges created by the global economic crisis that substantially reduced economic activity and revenues to the state.

In addition, early in my tenure, I made it a priority to communicate with and to listen to members of the General Assembly, local officials, other state agencies, businesses of all sorts, unions, environmental organizations, sportsmen, media, and members of the public. These relationships are helpful to doing the people's work in the most efficient manner possible. I am dedicated to continuing an ongoing, open dialogue about the issues that are of concern to Pennsylvanians.

Since September, I have worked with many members of the Legislature from both parties to solve problems and advance policy. Water infrastructure, flooding, dam safety, Marcellus gas drilling, permitting, alternative energy projects, bio-diesel production, climate change, energy conservation are just some of the issues that we are mutually addressing.

From our water resources, to the air we breathe, to shaping Pennsylvania's energy future, I intend to work every day with you, your staff and colleagues and our stakeholders to safeguard the citizens of the commonwealth, protect our precious environmental resources and use all available tools to revitalize our struggling economy. DEP is working to restore our natural resources and eliminate or prevent unhealthy levels of pollution in the air, water and land, while helping our struggling economy.

Today, Pennsylvania and the nation are in difficult times. Pennsylvania's economy is performing better than the nation, but our economy is struggling too. In these times, we need to put aside the petty things, the ideological answers, and blind partisanship to play our role in getting the global, national and state economy stabilized and then growing again.

Through the American Recovery and Reinvestment Act, our department will have the ability to do its part create and save jobs by implementing advanced energy measures and creating green collar jobs, investing in the state's water and wastewater infrastructure, and implementing new technology through Pennsylvania's air quality and waste management programs.

DEP will help to steward more than \$350 million of the American Recovery and Reinvestment Act funds, including: more than \$219 million for water and wastewater infrastructure; \$123 million for energy projects; and \$8 million for air and waste projects. The department quickly responded to the Governor's request by mobilizing its resources and providing recommendations for funding streams and putting these federal dollars to work quickly.

Through its Office of Energy and Technology Development, DEP will help Pennsylvania companies and communities apply for a total of more than \$25 billion in funding that will be distributed nationally on a competitive basis. We are hard at work to provide assistance so that Pennsylvania's companies and workers are successful competitors for this money. We have established a goal that Pennsylvania will win \$1 billion of additional competitive funding for energy projects.

The American Recovery and Reinvestment Act will take a great deal of work and cooperation within the agency, but the department will deliver results for all Pennsylvanians.

Of course, since September 2008, I have been working to achieve the five goals that the Governor originally asked that I pursue. Here is where things stand:

### **I. Work To Enact The Energy Independence Package**

For more than two years, the Governor promoted a comprehensive energy package and with help from you and your colleagues such as Senators Erickson, Tomlinson, Pileggi and Dinniman and Representatives McCall, Vitali, Ross, Lentz, and Depasquale, to name just a few, the commonwealth was able to pass a great deal of important energy legislation and build on its commitment to alternative energy resources and energy efficiency.

The latest landmark energy legislation to pass in October 2008 was Act 129 that requires utilities to operate energy conservation programs that will reduce their annual consumption by 3% and their peak consumption by 4.5% compared to consumption in the base year specified in the Act. With full implementation of this Act, Pennsylvania will be a national leader in electricity conservation.

Other critical energy legislation that you have enacted are: the Alternative Energy Portfolio Standards Act passed in 2004; the \$650 million Alternative Energy Investment Act; the bio-diesel and advanced or cellulosic ethanol mandate and incentive program that will help add 1 billion gallons of home grown alternative fuels to the state's transportation supply; and the Pennsylvania Climate Change Act. The early stage of implementing these Acts have already attracted billions of dollars of investment and created thousands of green jobs.

I am committed to doing everything I can to encourage energy conservation and efficiency, as well as promote the increased use of alternative and renewable fuels across Pennsylvania. Making these investments now is even more crucial if we are to continue developing clean energy resources and growing the Keystone State's green energy manufacturing industry. These investments will position us to capitalize on increased demand once the economy improves.

The Governor has also asked that I support SB 92, of which Senator Erickson is the prime sponsor, and HB 80 to update the 2004 Alternative Energy Portfolio Standards Act. The passage of five years, the actions of other states, and the advance of technology require the update that SB 92 offers. SB 92 extends the time period of the original Act to 2026, boosts renewable energy, and supports carbon capture and storage technology. This promising technology is environmentally and economically critical for the future of Pennsylvania, the nation, and the world.

### **II. Implement Energy and Other Legislation**

The Governor asked that I do all that I can to implement fully the energy policies and programs enacted since 2003 in order to generate jobs and investment in Pennsylvania, while reducing pollution and our dependence on foreign oil. From our energy strategy and programs to water and wastewater management, to air quality, the department has taken great steps during the past seven months to excel its commitment to successful programs.

#### **A. Energy**

Since September 2008, I have been working with the department to open new programs required to implement the Alternative Energy Investment Act. To date, the department has opened the Small Business Energy Efficiency Grant program and the Residential Energy Efficiency Grants and Loan program. These programs provide financial support to small businesses and homeowners to reduce energy bills by installing insulation, high-efficiency heating and cooling systems, geothermal heat pumps, and ENERGY STAR-qualified windows and doors. The Small Business Energy Efficiency grants will save at least 20 percent of the applicant's annual energy costs and at least \$1,000 a year in energy costs. The grants will provide up to 25 percent of project costs, with a maximum grant of \$25,000. Both programs were opened without adding any new state employees.

On January 15, the Public Utilities Commission issued a decision setting guidelines for major electric utilities to use in setting up their mandated conservation programs to comply with Act 129. We expect the conservation plans will be providing services to customers by January 2010. The PUC and utilities have been watching the development of the Small Business and Residential Energy Efficiency programs with great interest, and we have been in communication with several utilities in an effort to coordinate actions.

From the new energy funds to the conservation measures of Act 129, we've made substantial progress to grow our economy, provide consumers with more clean energy options, and help families and businesses save money before the rate caps end in the remainder of the state (electricity rate caps have expired in six territories).

- The reactivation of Pennsylvania's Energy Development Authority, or PEDA, by Governor Rendell helped to spark innovation and economic development in Pennsylvania's energy industry. Since 2005, PEDA has approved 105 grants and loans totaling more than \$44 million for clean energy projects. Since my arrival, PEDA has awarded more than \$15.7 million in funding, with more than \$3.7 million awarded as part of the American Recovery and Reinvestment Act.
- Energy Harvest promotes awareness and builds markets for cleaner or renewable energy technologies. Since Governor Rendell originated the program in 2003, Energy Harvest has invested nearly \$33.5 million and leveraged \$109.7 million in private investment commitments.
- The state's Alternative Fuel and Incentive Grant, or AFIG, program helps support energy security by investing in companies that produce and market homegrown biofuels and helping consumers to purchase hybrid vehicles. Since Governor Rendell expanded the AFIG program in 2004, it has awarded almost \$24.3 million to 78 projects and leveraged \$173.3 million in investment commitments by public and private fleet operators, fuel providers and the federal government. Since August, the department has awarded \$6.5 million in AFIG grants.
- The Alternative Energy Portfolio Standards Act of 2004 ensures that by 2020 at least 18 percent of the electricity sold at retail in Pennsylvania will come from alternative sources.
- Pennsylvania has attracted more than \$1 billion in private investment from alternative and renewable energy companies in projects that have created approximately 3,500 "green collar" jobs. This includes global industry leaders like Gamesa, Iberdrola, Conergy, Axion Power International, AE Polysilicon and GE, as well as innovative home-grown companies like Plextronics, Serious Materials, and Accuweld.
- During my time with DEP, I will continue to pursue businesses looking to invest or expand in the U.S. and bring those jobs and dollars into Pennsylvania. Indeed a considerable part of my time is devoted to helping the Commonwealth to recruit clean energy businesses to Pennsylvania.

Since the Recovery and Reinvestment Act was signed, we have been hard at work planning for how to use these funds to put Pennsylvanians to work and spur energy independence. DEP will disperse the more than \$123.1 million through existing energy programs like PEDA and Energy Harvest. At the PEDA board meeting on March 23, the board voted to open a new grant round on April 13. Last week, PEDA awarded more than \$3.8 million to five companies that are investing another \$19 million in energy conservation improvements at their plants made possible by federal recovery dollars provided to PEDA.

## **B. Water Quality and Flood Protection**

- Improving and preserving Pennsylvania's landscape includes a source of economic growth, recreation and quality of life, but our water resources are often taken for granted. Every day more than 12 million Pennsylvanians depend upon a supply of clean and safe drinking water from public systems. It is imperative that we work aggressively to protect what is one of our commonwealth's greatest natural resources.

- Since 2005, the commonwealth has provided more than \$179 million through Growing Greener II in communities throughout the state. Growing Greener grants are used to create or restore wetlands, restore stream buffer zones, eliminate causes of non-point source pollution, plug oil and gas wells, reclaim abandoned mine lands and restore aquatic life to streams that were lifeless due to acid mine drainage.
  - More than \$64 million to reclaim dangerous abandoned mines that also hinder economic development;
  - More than \$39 million for watershed protection projects;
  - More than \$5.1 million to help municipalities provide safe water to their residents by innovative technologies; and
  - More than \$700,000 to ensure the public's safety by funding projects that improve the effectiveness and integrity of dams and flood-protection measures.
- Approximately 650 miles of streams have been removed from Pennsylvania's impaired waters list since 2000.
- Recognizing the tremendous social, environmental and economic contributions that agriculture makes to our communities and the need to invest in environmentally sensitive farmland, Conservation and Reserve Enhancement Program, or CREP, has been a top priority in Pennsylvania.
- The commonwealth's CREP began enrollment in 2000. Pennsylvania has the largest CREP in the country at 265,000 acres authorized for enrollment. To date there are 200,697 acres under contract. CREP has infused \$153 million in federal funds and \$27.5 million in state funds into Pennsylvania's economy for conservation practices that result in water quality protection and wildlife habitat enhancement.
- Pennsylvania will maintain current CREP funding levels of approximately \$8 million annually in state funds for the program.
- Since 2003, more than 25,800 acres of forested buffers have been installed along approximately 1,650 miles of streams in Pennsylvania to prevent erosion and protect water quality.
- Pennsylvania is one of the most flood-prone states in the nation, with many major floods since August 2004. During these floods, 16 people died and more than 1,350 homes were destroyed.
- DEP oversees approximately 100 flood protection projects ranging from simple culverts to engineered channels, detention and debris basins, and major levee systems. DEP has awarded nearly \$4 million for flood protection programs.
- The department conducts yearly inspections, provides technical assistance and manages the state's Flood Protection Grants Program, which funds non-routine maintenance and other improvements to municipally owned flood control projects.
- Flood protection grants are awarded annually to municipal sponsors of existing flood protection projects and provide up to 65 percent of the costs for project improvements and non-routine maintenance, and up to 50 percent of the cost for specialized equipment to maintain these projects in a state of readiness.
- In November 2008 voters voted "yes" to issue \$400 million in bonds for water and wastewater projects. Governor Rendell supported the referendum, and I traveled the state to explain the referendum.
- On the Chesapeake Bay, I have been working to apply for funds that can help to pay for needed wastewater upgrades. The department also supports efforts to establish milestones to measure reduction of pollution to the Bay and that avoid still further federal mandates.

### **C. Mining**

- Pennsylvania remains the fourth largest coal producing state with 35 underground bituminous mines reporting production in 2007, including four of the six highest-producing underground mines in the nation. Our Department grants permits to these mines and

provides the oversight needed to ensure the safety and production of our coal mines are done properly.

- Last year, with guidance from Governor Rendell and help from you, the legislature, unions and the mining industry, Pennsylvania updated its 125 year-old mining laws and regulations to protect the more than 4,200 men and women who work in our underground bituminous coal mines. I serve as the Chairman of the Board of Coal Mine Safety. This panel held its first two meetings in January 7 in Harrisburg and January 14 in Uniontown.
- The new law allows Pennsylvania mines to be competitive in the national and international markets while holding mine operators responsible for the safety of their mines, and it creates a process to update mine safety regulations in the future.
- Pennsylvania has the largest abandoned mine problem in the nation, and we are using every available funding option to reclaim these sites and find innovative ways to turn these environmental problems into opportunities for economic growth and improved quality of life in our urban and rural communities.
- Pennsylvania has approximately 180,000 acres of abandoned mine lands dating back to the birth of the industry in the 1700s. More than two billion tons of waste coal tower in hills across the state, and acid draining from abandoned mines degrades an estimated 4,600 miles of rivers and streams.
- Since 2003, DEP has committed more than \$153 million to 258 abandoned mine reclamation projects, reclaiming more than 6,040 acres. This year, Pennsylvania will receive \$29 million from the federal Abandoned Mine Reclamation Fund and is projected to receive \$1.1 billion in abandoned mine funds by 2022.
- There are currently 47 reclamation projects underway in Pennsylvania that will reclaim 1,710 acres of abandoned mine lands at a projected cost of nearly \$57.8 million.

#### **D. Air Quality**

- In 2004, the U.S. EPA determined that 37 counties in Pennsylvania, with a population of more than 10.8 million people, did not meet the 1997 federal based eight-hour ozone national ambient air quality standard for ground-level ozone. In 2007-2008, 32 of the 37 counties (with the exception of Philadelphia and Pittsburgh Beaver Valley Areas) were re-designated as meeting the eight-hour ozone levels.
- Clean Air Interstate Rule or CAIR significantly reduces Pennsylvania's sulfur dioxide emissions, will continue to make significant reductions in annual nitrogen oxide emissions.
- CAIR is designed to reduce air pollution from power plants in the Commonwealth and in states downwind of the plants where air quality is affected by the emissions. The EPA estimates that in 2010 CAIR would reduce nitrogen oxide emissions across the multi-state CAIR region by 44.6 percent, or 1.2 million tons, and sulfur dioxide emissions by 71 percent, or 3.6 million tons.
- The Commonwealth's new Diesel-Powered Motor Vehicle Idling Act (Act 124) restricts heavy-duty diesel vehicles from idling more than five minutes per hour. Truck and bus drivers often idle their engines during rest periods to heat or cool their sleeper compartment, to keep the engine warm during cold weather, and to provide electrical power for their appliances. The new restrictions will save the owners of these vehicles millions of dollars a year while also reducing Pennsylvania's dependence on foreign oil. Pennsylvanians — particularly those vulnerable to air pollution such as children and the elderly — will breathe easier, thanks to limiting engine idling by heavy-duty diesel vehicles.

#### **III. Global Warming**

Third, the Governor asked me to ensure that we develop smart policies that address global warming. Pennsylvania must have smart, effective policies that reduce global warming pollution and that protect our economy and environment. The Pennsylvania Climate Change Act sets in motion an in-depth process of studying and benchmarking current sources of greenhouse gas pollution, then creating an action plan to reduce those emissions through cost-effective strategies

for businesses and consumers. This plan will help us to create new economic opportunities by advancing technologies like biodiesel, cellulosic ethanol, solar, wind, methane capture, geothermal and carbon capture and sequestration for coal and other carbon sources that hold tremendous potential for Pennsylvania's industries.

The Climate Change Advisory Committee established under the Act is charged with advising the DEP. Recently, DEP accepted the recommendation of the committee and adopted The Climate Registry as the emissions registry and three different organizations for offset registries. This information will provide a guide for Pennsylvania businesses to voluntarily participate in national and international programs that will reduce greenhouse gas emissions and help provide the climate stability on which Pennsylvania's economy, and infrastructure, depend.

Early last month, the department announced nearly \$300,000 for seven municipalities through the Department of Environmental Protection's Local Government Greenhouse Gas Pilot Grant Program. These progressive communities recognize the importance of creating their own programs to address climate change. The pilot projects funded by these grants will assess the local potential for reducing greenhouse gas emissions.

#### **IV. Protect Pennsylvania's Water Resources**

Water is a strategically important resource that can provide a competitive advantage in helping Pennsylvania attract and retain businesses and jobs. Our future depends on a safe and reliable supply of water.

Our abundance of water resources should provide an exceptional quality of life for our residents, an opportunity for outdoor enthusiasts, an attraction for visitors, unparalleled natural beauty, thriving ecosystems, agriculture prominence, and economic prosperity throughout the commonwealth.

All those with an interest in Pennsylvania have a stake in the use, enhancement, and stewardship of the state's water resources.

Recently, I signed the State Water Plan to be the benchmark that sets in motion our vision to plan now for 2030. The past five years have been data-gathering and budgeting, drafting regulations and guidance documents, and creating water analysis screening tools. The next five years and beyond will be the implementation of the statewide and regional priorities.

Implementation is not just at the state level, it's intended that county and municipal planners, watershed organizations, farmers, private enterprises, economic development authorities, etc. will all have a part in improving water planning efforts in the commonwealth.

The need for the state to invest dollars into Pennsylvania's deteriorating water and wastewater infrastructure. As our water systems continue to age and deteriorate, the cost and need to maintain, upgrade and repair these systems continues to increase. In early 2008, the Governor called for the creation of a Sustainable Water Infrastructure Task Force to develop a comprehensive report that would provide recommendations and financing options to support water-related services in the Governor's 2009-10 Executive Budget.

The Task Force completed its work on November 1, 2008 and made a number of recommendations including:

- Moving towards full-cost pricing; and
- Maximizing the use of non-structural or green solutions, increasing conservation measures, methods to increase efficiency in operations, suggestions on the right-sizing of systems and other practices to reduce costs such as shared purchasing and management.

Last year, the Governor and General Assembly made available \$1.2 billion for repair and construction projects that update our water and waste water systems. This type of investment is exactly the type of stimulus activities we need because they repair our assets, put our citizens to work, and produce much-needed orders for Pennsylvania factories.

Senate Bill 2 provided \$800 million during the next 10 years for critical water, sewer, flood control projects and repairs to unsafe, high-hazard dams in areas outside of Philadelphia and Pittsburgh. As we speak, the Pennsylvania Infrastructure Investment Authority, or Pennvest, and the Commonwealth Finance Authority are reviewing eligible projects.

In November, nearly two-thirds of voters approved \$400 million for water and sewer upgrades that will support 12,000 Pennsylvania jobs. This broad support expressed by Pennsylvania voters on Election Day will enable communities across the state to make critical repairs and upgrades to their water and sewer systems. PennVest will distribute the \$400 million for drinking water and wastewater infrastructure projects. The PennVest board may begin awarding funding at its July meeting.

Combined state and federal water infrastructure investment will total \$1.4 billion.

On the matter of the Marcellus gas reserve, the Governor has directed that we produce the gas and protect our waters. The Marcellus gas reserve is enormous. It holds possibly enough gas to fully supply America for 10 or more years. Producing the gas will create hundreds of billions of new wealth and tens of thousands of jobs. It will profoundly change Pennsylvania.

Natural gas is also a cleaner fuel compared to many alternatives. Its use can help to reduce soot, smog, mercury, acid rain, and climate change. Using natural gas can help to clean our air and reduce sickness caused by air pollution.

At the end of 2007, the latest available data, Pennsylvania had nearly 71,000 oil and gas producing wells in Pennsylvania.

Last year we issued nearly 8,000 drilling permits and saw nearly 4,200 new wells drilled. By contrast 10 years ago, DEP issued about 2,000 drilling permits.

Looking just at Marcellus wells, to date we have permitted more than 800 Marcellus and more than 300 Marcellus wells have been drilled.

To produce the gas and protect the water, we have addressed staffing needs and have raised the application fee for Marcellus wells from \$100. The fee was established in 1984 and had not been raised since then. At a time when all state agencies are under a hiring freeze and great economic constraints, the Governor approved the hiring of 37 new oil and gas staff, and we have already filled 22 of these positions. Part of this expansion is a new oil and gas office in Williamsport where nine employees now work and soon will expand to 11 employees.

DEP processes the applications for gas drilling permits on average in 28 days. We also understand that drilling requires other permits and some of those permits are not issued by DEP.

We have worked with the Delaware River Basin Commission as well as the Susquehanna River Basin Commission to both reduce the time and uncertainty in the permitting process and to protect our waters from unsustainable water withdrawal or water disposal practices. The result is that the time to obtain all permits to drill will be reduced from possibly 180 to 270 days to 45 to 90 days.

We also are moving forward with ways of not only preventing unsustainable water withdrawals but also methods for safely disposing of drilling or flow-back water. Each driller must complete a water plan with his permit application. DEP is also supporting deep well injection of wastewater

in sites that are properly permitted by the United States Environmental Protection Agency, the recycling and reuse of drilling water, and the treatment of wastewater, including for Total Dissolved Solids (TDS). If drilling water is going to be discharged to our surface waters, it must be treated so that water quality meets drinking water requirements. The experience in the fall of 2008 on the Mon River where TDS levels exceeded drinking water levels and where other users of the river complained is a reminder that rivers can only dilute so much pollution before water quality reaches unacceptable levels. To be clear, the elevated levels were not principally a function of gas drilling. They resulted from a variety of discharges and sources in both West Virginia and Pennsylvania.

The opportunities for economic growth presented by the Marcellus Shale formation are truly astounding. The Governor and I support this industry and very much want the business of natural gas extraction, especially in the Marcellus Shale formation, to take place here in Pennsylvania. But both have made it very clear that this development cannot come at the expense of our environment.

#### **V. Continue to Run the Department Efficiently and Effectively**

The department's mission to protect against threats to human health and safety remains our top priority and I will continue to make certain that the agency operates as efficiently as possible, that our resources are being used wisely and the needs of Pennsylvania's families, businesses and communities are being met.

As many of you are aware, DEP, like the other state agencies, took a number of measures at the end of 2008 to reduce spending by 5 percent or \$11.4 million. The Department has adjusted staffing each year to reduce overtime where possible. DEP has also reduced its vehicle and parking leases, respectively saving the commonwealth nearly \$200,000. DEP has also reduced its vehicle replacement budget for FY 2008-2009, which will save the commonwealth approximately \$800,000.

By the end of 2010, I have directed staff at the department to clear any backlogs of permits. Our goal is the next Secretary will take office without inheriting any backlogs. In 2007, the department issued 2,173 NPDES general and individual permits for construction activity or twice the number of permits that this department issued in 2002. Overall, we have provided more than 15,260 NPDES permits. I take this commitment seriously and will work with department's staff to make certain this goal is accomplished.

In conclusion, I am confident that we will together meet the challenges in front of us. Those challenges contain opportunity to make Pennsylvania cleaner and better. Madame Chairman, Chairman Musto, Members of the Committee: I thank you for your attention, and look forward to your thoughts and questions.