



**Testimony on behalf of Rice Energy, Inc.
House Committee on Transportation and Infrastructure Hearing
April 28, 2014**

I'm Tonya Winkler, AICP, Midstream Permitting and Compliance Manager for Rice Energy, Inc. (Rice Energy). Rice Energy engages in the exploration and production of natural gas wells and gathering and transportation of natural gas as well as installation and operation of water transfer lines for the use in production of natural gas wells in Pennsylvania and Ohio.

Rice Energy commenced leasing land in 2008 and drilled its first well in 2010 in Pennsylvania. Since 2008, the company has grown significantly to a total of approximately 160 employees and currently operates 6 drilling rigs in Pennsylvania and Ohio. Rice Energy also owns and operates approximately 40 miles of natural gas gathering lines with a proposed 110 miles to construct over the next year. Additionally, Rice Energy currently operates approximately 33 miles of water transfer lines with a proposed 73 miles to construct over the next year.

As stated in the Marcellus Shale Coalitions testimony, increased development and use of natural gas offers tremendous environmental and economic benefits to Pennsylvania and the nation. An integral part of the successful development of Marcellus Shale play is the construction of midstream infrastructure necessary to gather the natural gas from the wellhead and transport it to consumers. Consistent and timely authorization of gathering pipelines and other midstream projects is essential to ensure that these construction projects proceed on schedule as planned.



Rice Energy has millions of cubic feet of gas that could be flowing to market on a daily basis if the pipeline infrastructure was in place. Uncertain permitting review timeframes and delays result in loss of revenue for Rice Energy, loss of royalties for land owners, loss of jobs, and loss tax base for local, state, and federal governmental agencies.

The delays Rice Energy has experienced throughout the review process of its midstream projects are not isolated issues. For example, Rice Energy midstream and completions teams have made collaborative efforts to utilize water transfer lines for various stages of operations, but the untimely authorization process has stalled progress. The Company now has 18 wells in inventory with no pipeline installed to transport the water necessary for production and the produced gas to market in Pennsylvania. These unanticipated delays in completions result in a loss of millions of dollars over an operating year. As a result of these unpredictable delays, Rice Energy is starting to focus operations in Ohio, where permit review time is much more predictable.

Rice Energy believes changes that were made to the way in which natural gas pipeline projects are reviewed and approved by the U.S. Army Corps in Pennsylvania is the primary reason for delay in stream and wetland crossing permits. Federal jurisdiction over the construction of these projects applies in locations where the pipelines cross waters of the United States, pursuant to Section 404 of the Clean Water Act. In Pennsylvania, authorization for these projects typically is provided by a State Programmatic General Permit, issued pursuant to Clean Water Act § 404(e) – specifically, Pennsylvania State Programmatic General



Permit.

The Pennsylvania State Programmatic General Permit No. 4 (PASPGP-4) was reissued effective July 1, 2011, by the Baltimore District of the Army Corps. As a result of the unilateral change adopted by the Baltimore District, the requirements for review embodied in Pennsylvania State Programmatic General Permit have created an inefficient process that is duplicative of state review and that does not provide any corresponding environmental benefit.

Presently, 85 percent of Rice Energy's midstream projects under review by the Pennsylvania Department of Environmental Protection are also undergoing review by the Corps to review the total impacts of the "overall project," rather than the limited impact of the individual water crossing being authorized. This regularly leads to substantial delays in authorization of projects and is hindering the ability of Rice Energy to develop and construct the infrastructure necessary to complete, gather and transport natural gas from wells. Using recent data, Rice Energy estimates it takes an average of 80 days for projects that have only minimal, temporary impacts to waters of the United States to receive approval. Based on Rice Energy's recent experiences, midstream infrastructure development, including construction, can now take more than one and one-half years for even the most basic midstream project.

No other District of the Army Corps where Rice Energy operates approaches the permitting function for gathering lines and water transfer lines in the manner now in place in Pennsylvania. In all other areas of the country where gathering



pipelines and other midstream projects are being built, the Corps adheres to its regulatory definition of a “single and complete project” and evaluates each individual crossing of a water of the United States separately. No expanded definition of “project” is used to increase the scope of review by including multiple water crossings over a broad geographic area. This adherence by other districts to the regulatory definition of “single and complete project” is in accord with the Corps’ rules and allows for efficient review and permitting of projects that have minimal and limited impact to water resources.

Each of the natural gas gathering or other midstream projects that cross a water of the United States in Pennsylvania is subject to regulatory review by Pennsylvania Department of Environmental Protection, and is authorized by a state general permit or an individual permit issued by the Department. The activities authorized involve only minimal and temporary impacts to water resources, and those impacts are fully addressed and mitigated by the conditions of the state’s general or individual permit. The review by the Army Corps pursuant to the revised Pennsylvania State Programmatic General Permit does not alter the manner by which Rice Energy designs and constructs midstream projects. The Army Corps’ review for these types of projects is unnecessary and duplicative and does not provide any meaningful environmental benefit. Seemingly, the process only imposes substantial administrative burden and associated costs.

Rice Energy is wholly committed to working with local, county, state and federal government officials and regulators to facilitate the safe and responsible installation of natural gas gathering lines and water transfer lines in Pennsylvania



and Ohio. However, the delays and increased costs of connecting producing wells to market will continue to influence's Rice Energy's strategy for further development. Unpredictable and unnecessary regulatory burdens may result in the Company focusing on development elsewhere. The loss of development relates not only to the wells already completed and ready to produce, but also to wells that could be drilled if conditions for development were more favorable.