

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1613 (Delegate Healey, *et al.*)
 Economic Matters

Liquefied Natural Gas Facilities and Pipelines - Inspections and Locations

This emergency bill provides for the regulation, inspection, and repair of liquefied natural gas (LNG) lines and LNG pipeline facilities. The bill prohibits the construction or operation of an LNG facility in a location the Public Service Commission (PSC) determines is unreasonably close to a heavily populated area or a public transportation center.

Fiscal Summary

State Effect: PSC expenditures could increase by \$193,300 in FY 2006 for three safety engineers to perform additional inspections. Future year expenditures reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	193,300	198,200	209,600	221,700	234,700
Net Effect	(\$193,300)	(\$198,200)	(\$209,600)	(\$221,700)	(\$234,700)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Since it is currently the responsibility of local first responders to evacuation areas that are potentially unsafe, it is assumed that the bill's requirements could be handled with existing resources.

Small Business Effect: Minimal.

Analysis

Bill Summary: PSC must adopt regulations to ensure, to the greatest extent possible, the operational safety of LNG lines and pipeline facilities and is required to periodically inspect both the LNG lines and pipeline facilities. The inspections must focus on joints and other sections connecting pipes and other equipment and on other potentially deteriorating portions of each facility, gas line, and pipeline facility.

If a public service company that operates a natural gas facility, gas line, or gas pipeline facility receives a complaint, notice, or report of a natural gas smell at or near any LNG facility, line, or pipeline facility, the public service company must immediately:

- notify PSC;
- inspect the LNG facility, line, or pipeline facility; and
- repair any damage discovered on any portions of the LNG facility, line, or pipeline facility determined to be potentially unsafe.

A public service company that fails to respond immediately is liable for any injury, death, or property damage caused as a result of any explosion or natural gas leak that could have been prevented if the company has immediately responded.

PSC, when notified by a public service company as required above, must immediately:

- inspect the LNG facility, line, or pipeline facility along with the public service company;
- repair, or direct the public service company to repair, any damage discovered on any portions of the facility, line, or pipeline facility determined to be potentially unsafe; and
- begin any evacuation procedures that it determines are necessary.

Current Law: Various State and federal laws and national standards govern the regulation, inspection, and safety of LNG facilities. Federal law and national safety codes contain design and site selection regulations and reporting requirements for potential leaks at an LNG facility.

PSC has jurisdiction over intrastate pipelines and pipeline structures such as terminals, gas processing and storage facilities, hazardous liquid pipelines, and gas distribution systems. PSC is required to adopt regulations to ensure the operational safety of LNG facilities, but not lines or pipeline facilities. It also must periodically inspect each LNG facility to ensure compliance with regulations. PSC accompanies the Federal Department

of Transportation and the State Fire Marshal on their annual inspections of Cove Point in Calvert County, a terminal where LNG delivered by tanker from overseas is converted to vaporized gas, and performs full inspections of BGE LNG facilities each year.

State Expenditures: Special fund expenditures could increase by an estimated \$193,300 in fiscal 2006. This estimate reflects the cost of hiring three pipeline safety engineers to perform additional inspections. It includes salaries, fringe benefits, and ongoing operating expenses for travel and communications. The information and assumptions used in calculating the estimate are stated below:

- there are 9,000 miles of pipeline subject to new inspection;
- PSC will not perform any of the actual repairs of damaged facilities, lines, or pipeline facilities;
- PSC will not actually perform evacuation procedures if an area is determined to be unsafe. Instead, it is assumed that it will notify local fire safety personnel to perform any necessary evacuation; and
- PSC will be able to make determinations with existing resources regarding whether the construction or operation of a LNG facility is unreasonably close to a heavily populated area or public transportation center.

Salaries and Fringe Benefits	\$187,710
Other Operating Expenses	<u>5,590</u>
Total FY 2006 State Expenditures	\$193,300

Future year expenditures reflect: (1) salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Comments: PSC advises that LNG does not have an odor, that the addition of an odor for detection purposes is added during the vaporization process, and that because LNG is a highly concentrated liquid the risk of explosion is less than with natural gas vapors.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of the Environment, Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - April 8, 2005
mll/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
(410) 946-5510
(301) 970-5510