

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 997
Finance

(Senator Stone, *et al.*)

Liquefied Natural Gas Facilities - Approval for Construction or Operation

This bill prohibits the construction or operation of a liquefied natural gas (LNG) facility without the approval of the Public Service Commission (PSC). The bill specifically prohibits PSC from approving the construction or operation of an LNG facility located within two miles of any residence.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources. The bill has no direct fiscal impact but, to the extent that it prevents the construction of any new LNG facility, State taxes could be indirectly affected.

Local Effect: The bill has no direct fiscal impact but, to the extent that it prevents the construction of an LNG facility, local taxes could be indirectly affected.

Small Business Effect: Potential minimal.

Analysis

Current Law: While State law does not require PSC to approve the construction of an LNG facility, under a memorandum of understanding with the federal Department of Transportation, PSC does pre-approve facilities as meeting federal regulations. In accordance with statute, PSC has adopted State regulations to ensure, to the greatest extent practicable, the operational safety of LNG facilities. PSC is also required to periodically inspect each LNG facility to ensure compliance with regulations.

Background: According to the Federal Energy Regulatory Commission (FERC), LNG is a natural gas that has been supercooled to a liquid at -260°F, thus reducing its volume more than 600 times. LNG is stored at more than 100 facilities in the United States. According to FERC, LNG is stored in double-walled, insulated tanks designed to prevent any gas from escaping. In addition to the double-walled tank, FERC reports all new LNG facilities are required to have a dike or impounding wall surrounding the facility which would be capable of containing the tank's volume.

Early in 2006, AES Corp. announced a plan to build a \$400 million LNG facility on the site of the former Sparrows Point shipyard. Shipments of LNG would arrive by tanker and natural gas would be pumped from the plant through a pipeline to Pennsylvania. In addition, Washington Gas would like to build a 12 million-gallon LNG storage facility in Chillum near the West Hyattsville Metro stop in Prince George's County. Approval of an addition to the Cove Point LNG facility in Calvert County is being considered by FERC. Concerns have been raised by area communities and leaders regarding the safety of locating an LNG facility at that site. Some safety reports have shown that, in a worst case scenario, an LNG fire could cause second degree burns up to 1.3 miles away. All of the proposed projects are within two miles of a residence.

Additional Comments: Cove Point is an LNG import facility located in Calvert County which was constructed in the mid 1970s. Deliveries were suspended in 1980 due to the high price of LNG imports. FERC approved the resumption of LNG imports in October 2001 and the first commercial deliveries began in August 2003.

On April 29, 2005, FERC issued a notice of application for authorization to expand the existing LNG terminal by adding two new storage tanks and construct five new pipelines totaling 161 miles in length, to be located in Calvert, Prince George's and Charles counties.

The effect that this bill could have on the proposed expansion is not clear; there is no specific retroactive application for facilities currently under consideration or already in existence, so it is possible that the bill would not impact the expansion.

Additional Information

Prior Introductions: None.

Cross File: HB 1671 (Delegate Minnick, *et. al.*) – Rules and Executive Nominations Committee.

Information Source(s): Department of Planning, Montgomery County, Prince George's County, Caroline County, Calvert County, Howard County, Department of Natural Resources, Public Service Commission, Office of People's Counsel, Baltimore City, Department of Legislative Services

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nas/jr

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