

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 196
Finance

(Senator Stone, *et al.*)

**Baltimore County - Liquefied Natural Gas Facilities - Dredging, Construction,
and Permitting**

This bill prohibits the Board of Public Works (BPW) from approving a license to dredge on State wetlands for a project by a private person within a one-half mile radius of a specified position identified by latitudinal and longitudinal coordinates.

The Public Service Commission (PSC) must require a person that constructs a liquefied natural gas (LNG) facility on or after June 1, 2007 to file a specified surety bond or other security with the local governing body. The Governor must designate PSC as the agency to consult with the Federal Energy Regulatory Commission (FERC) regarding a proposed liquefied natural gas facility and PSC may not recommend any approval for the construction or operation of a facility if it is to be located within two miles of any residence in Baltimore County.

The bill takes effect June 1, 2007, the portion of the bill that prohibits BPW from approving a specified dredging license terminates December 31, 2011.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources. The bill is not anticipated to have a 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 is not anticipated to have a 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

Bill Summary: The bond or security filed with the local governing body by a person that constructs a liquefied natural gas facility on or after June 1, 2007 must be: • issued by a surety company authorized to do business in the State; • be in an amount determined by PSC of not less than \$10 million and not more than \$100 million; • remain in effect for at least 50 years; and • contain a provision that the bond cannot be canceled by the surety, bank, or other issuing entity at any time for any reason, including nonpayment of the premium or bankruptcy of the person that constructs the facility.

Current Law: The Energy Policy Act of 2005 granted FERC the exclusive authority to approve the siting of LNG facilities. Any application for an LNG terminal must include an emergency response plan. Also required is a cost-sharing plan containing a description of any direct cost reimbursements that the applicant agrees to provide State and local agencies with responsibility for security and safety at the LNG terminal and in proximity to vessels that serve the facility. The emergency response plan must be prepared in consultation with the U.S. Coast Guard and State and local agencies and be approved by the FERC prior to any final approval to begin construction.

A person generally may not dredge or fill on State wetlands without a license issued by BPW. The Secretary of the Environment must assist BPW in determining whether to issue a license. The Secretary must submit a report indicating whether the license should be granted, and, if so, the terms, conditions, and consideration required after consultation with any interested federal, State, and local government units; issuing public notice; holding any requested hearing; and taking any evidence the Secretary thinks advisable. Upon receipt of a report from the Secretary, BPW must decide if issuing the license is in the best interest of the State, taking into account varying ecological, economic, developmental, recreational, and aesthetic values each application presents.

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: LNG is a natural gas that has been supercooled to a liquid at -260°F, thus reducing its volume more than 600 times. Once natural gas is liquefied into LNG, it can be transported via tanker and 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.

In January 2007, AES Sparrows Point LNG, LLC (AES) filed an application with FERC for a proposed LNG import, storage, and regasification facility on 80 acres of land on the Sparrows Point Peninsula in Baltimore County. The facility would contain three large storage tanks and have the capability to transport the natural gas through a proposed 87-mile pipeline into Pennsylvania.

Baltimore County Liquefied Natural Gas Task Force

Chapter 285 of 2006 established a Baltimore County Liquefied Natural Gas Task Force to study various issues relating to the proposed facility at Sparrows Point. The task force met throughout the fall of 2006 and issued its final report on January 9, 2007 which cited concerns about safety, the processing and disposal of dredged material from the facility's construction, the effect of the dredging for and operation of the facility on the surrounding community and environment, and the economic and cultural impacts the facility would have on the recreational and commercial communities using the surrounding waterways. The task force recommended that AES be required to pay costs borne by the State and local governments for environmental, security, and safety protection resulting from the proposed facility.

Cove Point LNG Facility in Calvert County

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. In August 2006 FERC approved an application 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.

Additional Information

Prior Introductions: A similar bill was introduced during the 2006 special session as SB 7. No action was taken on the bill.

Cross File: None.

Information Source(s): Board of Public Works, Department of Natural Resources, Maryland Department of the Environment, Maryland Energy Administration, Public Service Commission, Federal Energy Regulatory Commission, Department of Legislative Services

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