

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 307
Finance

(Senator Stone)

Liquefied Natural Gas Facilities - Impact Fee - County Services

This bill requires the Public Service Commission (PSC) to impose an impact fee on a liquefied natural gas (LNG) facility at the time the facility is approved and construction begins. The impact fee would be determined by the county where the facility is constructed or by an independent third party. The impact fee must cover the cost for extra county services, particularly fire and safety requirements, that the county may need due to the existence of the facility. An LNG facility as in existence in the State as of June 1, 2007 is not required to pay an impact fee.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: None. The Public Service Commission could handle the requirements of the bill with existing resources.

Local Effect: Potential significant increase in local government revenues. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: The federal Energy Policy Act of 2005 granted the Federal Energy Regulatory Commission (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 FERC prior to any final approval to begin construction.

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. The report 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 to construct five new pipelines totaling 161 miles in length, to be located in Calvert, Prince George's, and Charles counties.

Local Fiscal Effect: The existence of an LNG facility requires an increase in security, fire, and rescue capabilities. FERC requires that a cost-sharing plan and emergency response plan be developed in coordination with the local government. Should AES and the local government be unable to develop mutually agreeable cost-sharing and emergency response plans, an impact fee may provide a meaningful financial benefit to the jurisdiction. The cost-sharing plan and emergency response plan are typically filed immediately preceding final approval for construction.

For illustrative purposes, security services at Cove Point in Calvert County are being transferred from the U.S. Coast Guard to the county sheriff's office. The estimated annual cost of security while ships are docking and unloading is expected to be \$1.24 million, which will be paid for by the facility. Emergency response plans at recently approved Sabine Pass LNG terminal in Louisiana include plans for an on-site sheriff's station with a full-time dedicated staff. Two boats of at least 25 feet will be provided to the sheriff's office and detailed evacuation plans have been established, including plans to evacuate residents without personal transportation. Financial and logistical details of the emergency response plan are considered privileged and confidential information and are not publicly available.

Additional Information

Prior Introductions: None.

Cross File: HB 724 (Delegates Olszewski, *et al.*) – Economic Matters and Environmental Matters.

Information Source(s): Baltimore City, Calvert County, Federal Energy Regulatory Commission, Office of People's Counsel, Public Service Commission, Department of Legislative Services

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