

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1043
Economic Matters

(Prince George's County Delegation)

**Liquefied Natural Gas Facilities - Approval for Construction or Operation -
Prince George's County PG 423-08**

This bill requires approval of the Public Service Commission before a liquefied natural gas (LNG) facility may be constructed or operated. In addition, the bill specifies that PSC may not grant approval for the construction or operation of an LNG facility if it is to be located in Prince George's County and within two miles of any residence in the county.

Fiscal Summary

State Effect: The bill would not directly affect State finances.

Local Effect: The bill would not directly affect Prince George's County finances.

Small Business Effect: Potential minimal.

Analysis

Current Law: PSC, pursuant to State and federal laws and regulations, generally has the authority and responsibility to inspect and oversee the construction of intrastate LNG facilities (generally, those not subject to the jurisdiction of the Federal Energy Regulatory Commission and supplying gas within the State) to ensure compliance with federal regulations (incorporated by reference in PSC regulations). The federal regulations specify various standards applicable to the construction and operation of the facilities including siting (on the property chosen for construction of a facility), design, equipment, operations, maintenance, personnel qualifications, fire protection, and security requirements.

FERC, under the Energy Policy Act of 2005, has the exclusive authority to approve the siting, construction, expansion, or operation of LNG *terminals* (generally, facilities located onshore or in State waters and used to receive, unload, load, store, transport, gasify, liquefy, or process natural gas that is imported to the United States from a foreign country, exported to a foreign country, or transported in interstate commerce by waterborne vessel). FERC's authority is generally subject to states' rights under specified federal laws and any other federal agencies' authorities or responsibilities related to LNG terminals.

Background: LNG is a natural gas that has been supercooled to a liquid at -260°F, thus reducing its volume more than 600 times. FERC indicates that LNG is stored at more than 100 facilities in the United States, typically either used during periods of peak demand or as a baseload source of natural gas.

Proposed Chillum Storage Facility

An LNG storage facility has been proposed in Chillum, located in Prince George's County, to provide natural gas supply during times of peak usage, though a necessary approval from the county was denied, and as of January 2008, other than some preliminary grading, work on the site remained halted. PSC indicates the facility, proposed by Washington Gas, would include an LNG storage tank and liquefaction and regasification facilities serving to compress gas for storage and regasify the stored LNG when needed.

LNG Terminals

Cove Point is an LNG terminal 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 and the project was begun in October 2006. Related construction of a new pipeline through Calvert, Prince George's, and Charles counties and pipelines and facilities in Pennsylvania and West Virginia are in progress. Overall construction is expected to be completed and the facilities in service in late 2008.

An application was filed with FERC in January 2007 for a proposed LNG terminal 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. Both the FERC application for the facility and resolution of litigation regarding a change to county zoning

regulations made by the Baltimore County Council, that would prevent construction of the facility, are pending.

Additional Information

Prior Introductions: SB 997 and HB 1671, similar bills not specific to Prince George's County, were introduced in 2006. SB 997 received an unfavorable report from the Senate Finance Committee. HB 1671 was referred to the House Rules and Executive Nominations Committee and no further action was taken.

Cross File: SB 993 (Senator Harrington) – Rules.

Information Source(s): Prince George's County; Department of Natural Resources; Maryland Department of the Environment; Maryland Energy Administration; Public Service Commission; Dominion Cove Point LNG, LP; Department of Legislative Services

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mam/hlb

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