

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 1123  
Economic Matters

(Delegate Ivey, *et al.*)

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Liquefied Natural Gas Facilities - Approval for Construction or Operation

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This bill prohibits the construction or operation of a liquefied natural gas (LNG) facility regulated as an intrastate facility by the Public Service Commission (PSC) without the commission's approval. PSC may not grant any approval for the construction or operation of such a facility if it is located within a specified distance of a building or other place in which individuals work, live, or congregate, or in a location that is inconsistent with the zoning laws or ordinances of the applicable local jurisdiction.

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Fiscal Summary

**State Effect:** None. The bill will not materially affect PSC operations or finances.

**Local Effect:** The bill is not expected to directly affect local government operations or finances.

**Small Business Effect:** Potential minimal.

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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 (FERC) and supplying gas within the State) to ensure compliance with federal pipeline safety regulations (incorporated by reference in PSC regulations). The federal pipeline safety 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. Most LNG in the United States is transported from overseas or Alaska. LNG tankers dock at specially designed terminals where LNG is pumped into insulated storage tanks. FERC indicates that LNG is stored at more than 100 facilities in the United States and typically is either used during periods of peak demand (“peak shaving”) 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 as of January 2008, other than some preliminary grading, work on the site remained halted. PSC indicated in 2008 that the facility, proposed by Washington Gas, would include an LNG storage tank and liquefaction and regasification facilities serving to liquefy gas for storage and regasify the stored LNG when needed. A public filing to PSC in December 2008 indicated that Washington Gas still plans to construct the Chillum Peak Shaving plant with operations beginning in 2013.

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### **Additional Information**

**Prior Introductions:** SB 993 and HB 1043 of 2008, bills specific to Prince George's County (in part) received unfavorable reports from the Senate Finance Committee and the House Economic Matters Committee, respectively. SB 997 of 2006 also received an unfavorable report from the Senate Finance Committee. HB 1671 of 2006 was referred to the House Rules and Executive Nominations Committee and no further action was taken.

**Cross File:** None.

**Information Source(s):** Kent County, Prince George's County, Washington County, Worcester County, Department of Natural Resources, Maryland Energy Administration, Public Service Commission, Federal Energy Regulatory Commission, Judiciary (District Court), Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2009  
ncs/rhh

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