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BEFORE THE ARIZONA CORPORATION COMMISSION

21

MARC SPITZER
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

MAY 24 2004

DOCKETED BY *MR*

IN THE MATTER OF THE NOTICE OF
PROPOSED RULE MAKING REGARDING
THE TRANSPORTATION OF NATURAL
GAS, OTHER GASES AND HAZARDOUS
LIQUIDS BY PIPELINES

DOCKET NO. RG-00000A-04-0169

DECISION NO. 66994

ORDER

Open Meeting
May 18 and 19, 2004
Phoenix, Arizona

BY THE COMMISSION

FINDINGS OF FACT

1. Staff of the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") is proposing amendments to transportation rules R14-5-202, R14-5-203, R14-5-204, and R14-5-205. The amendments will update the rules to incorporate the most recent amendments to the Code of Federal Regulations ("CFR"), Title 49, Parts 191, 192, 193, 195, 199 and Part 40. This includes requiring operators of hazardous liquid pipelines to submit an annual report. R14-5-204(A).

2. In addition, Staff is proposing new regulations setting parameters for laboratory testing for both intrastate pipeline operators and master meter operators. These amendments require that the operator retains a removed portion of pipeline that failed for any reason other than observable external corrosion or third-party damage. The Commission's Office of Pipeline Safety ("OPS"), a section of Staff, shall be notified of the removal within two hours after the removal is completed by the operator. Also, the operator will be required to provide specific information about the removed portion of pipeline. Per the new regulations, OPS shall have

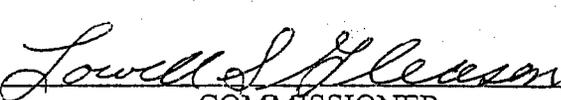
1 forty-eight hours to notify the operator that it is directing the operator to have the portion of
2 pipeline removed tested by a laboratory or that the portion of pipeline removed may be discarded.
3 Furthermore, the new regulations state that OPS shall select the laboratory to test the failed
4 portions of pipeline. OPS shall establish the time frame for the testing, the number of tests, and
5 the type of tests to be performed on the portion of pipeline that was removed. OPS shall notify
6 the operator of its determinations. Per the new proposed regulations, the operator shall notify
7 OPS of the number and types of tests it proposes. The operator will be required to notify OPS of
8 the date and time of any laboratory tests at least twenty days before the tests are done. A
9 representative from OPS will be permitted to observe any and all of tests, if such a request is
10 made by OPS. Furthermore, the new regulations will require the operator to ensure that the
11 original laboratory test results are provided to OPS within thirty (30) days of the completion of
12 the tests. Finally, the new regulations make explicit that the operator is to pay for the laboratory
13 testing. The new regulations also provide for a formal selection process. OPS shall be required
14 to submit written requests to at least three different laboratories for bids to conduct the testing.
15 OPS, when selecting a laboratory, shall consider the qualifications of the respondent laboratories
16 to perform the testing, including past experience in performing the required test or tests
17 according to ASTM International standards or any recognition that the laboratory may
18 demonstrate with national or international laboratory accreditation bodies. OPS shall select the
19 laboratory that offers the optimum balance between costs and demonstrated ability to perform the
20 required test or tests. OPS must wait until it receives three written quotations to conduct the
21 testing, or OPS must wait at least thirty days from the date the request for bids has passed, before
22 selecting a laboratory to conduct the testing. The Federal regulations, in Title 49 CFR Part
23 192.617, requires the company to establish procedures for analyzing a failure and determine the
24 cause of an incident, including selection of samples for laboratory examination. The federal
25 regulation does not specifically require Staff approval of a laboratory. This proposed amendment
26 would also allow Staff the opportunity to coordinate the testing of the failed specimen and to be
27 present for the testing. The fifth proposed amendment is recommended by Staff as a result of
28 recent pipeline safety-related events. R14-5-202(S). R14-5-205(P).

ORDER

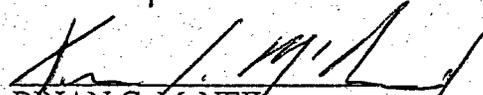
IT IS THEREFORE ORDERED that the Hearing Division issue a Procedural Order scheduling a public comment hearing.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

		_____
CHAIRMAN	COMMISSIONER	COMMISSIONER

	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 24th day of May, 2004.


 BRIAN C. McNEIL
 Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:TLF:JRI:vcb:rdp/JDG

Originator: Terry Fronterhouse

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6	Technologies Management, Inc.	Copper Market Incorporated
7	210 North Park Avenue	c/o Cyprus Bagdad Copper Company
8	Winter Park, Florida 32789	Post Office Box 245
9	Mr. Steve Williams	Bagdad, Arizona 86321
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21	Mr. Mark Battaglia	Manager, Compliance
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23	City Of Benson	5151 East Broadway, Suite 1680
24	Post Office Box 2223	Tucson, Arizona 85711
25	Benson, Arizona 85602	Mr. Steve Lines
26	Mr. Gail Robinson	General Manager
27	Southwest Gas Corporation	Graham County Utilities, Inc.
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12	Mr. Steve Barlett	Chris Tyrek
13	Manager	Cable America
14	Applied LNG Technologies	2720 East Camelback Road
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	Amarillo, Texas 79121	
15	Ms. Becky Gardner	Jones Intercable
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ARTICLE 2. PIPELINE SAFETY

R14-5-202. Construction and Safety Standards

- A. Applicability: This rule applies to the construction, reconstruction, repair, operation and maintenance of all intrastate natural gas, other gas, LNG and hazardous liquid pipeline systems, as described in ARS 40-441.
- B. Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 40, 191, 192 except I (2) and (3) of Appendix D to Part 192, 193, 195, except 195.1(b)(2) and (3), and 199, revised as ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.
- C. The above mentioned incorporated Parts of 49 CFR, except Parts 191, 193 Subpart A and 195 Subpart A and B, are revised as follows:
1. Substitute "Commission" where "Administrator of the Research and Special Programs Administration" or "Office of Pipeline Safety" (OPS) appear.
 2. Substitute "Office of Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where the address for the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U. S. Department of Transportation appears.
- D. Operators of an intrastate pipeline will file with the Commission an Operation and Maintenance Plan (O & M), including an emergency plan, 30 days prior to placing a pipeline

system into operation. Any changes in existing plans will be filed within 30 days of the effective date of the change.

E. Operators of an intrastate pipeline transporting sour gas or oil are subject to industry standards addressing facilities handling hydrogen sulfide (H₂S). Standards adopted are:

1. NACE Standard MR-0175-99 (1999 Revision); (and no future revisions), Standard Materials Requirements-Sulfide Stress Cracking Resistant Metallic Material for Oilfield Equipment, incorporated by reference and no future amendments. Copies are available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the NACE International, P.O. Box 218340, Houston, Texas 77218-8340 and on file with the Office of the Secretary of State.
2. API RP55 (1995 Edition); (and no future amendments), API recommended practice for conducting oil and gas production operations involving hydrogen sulfide, incorporated by reference and no future amendments. Copies are available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the CSSINFO, 310 Miller Avenue, Ann Arbor, Michigan, 48103 and on file with the Office of the Secretary of State.

F. Operators of an intrastate pipeline transporting LNG, hazardous liquid, natural gas or other gas will not construct any part of a hazardous liquid, LNG, natural gas or other gas pipeline system under a building. For building encroachments over a pipeline system, the operator may require the property owner to remove the building from over the pipeline or reimburse

the operator the cost associated with relocating the pipeline system. The encroachment shall be resolved within 180 days of discovery, or the operator shall discontinue service to the pipeline system. When the encroachment can not be resolved within the 180 days the operator shall submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180-day requirement in order to allow the ratepayer and the operator to implement the written plan to resolve the encroachment.

- G. Operators of an intrastate distribution pipeline transporting LNG, ~~hazardous liquid~~, natural gas or other gas will not construct any part of a pipeline system closer than 8 inches to any other underground structure. If the 8-inch clearance cannot be maintained from other underground structures, a sleeve, casing, or shielding shall be used.
- H. Operators of an intrastate pipeline transporting natural gas or other gas that have regulators, meters, or regulation meter sets that have been out of service for 36 months will abandon those lines and cap all ends. The Operator's steps to accomplish the abandonment shall not exceed 6 months beyond the 36 months out service status.
- I. Operators of an intrastate pipeline shall not install or operate a gas regulator that might release gas in its operation closer than 3 feet to a source of ignition, opening into a building, air intake into a building or to any electrical source not intrinsically safe. The three (3) foot clearance from a source of ignition will be measured from the vent or source of release (discharge port), not from the physical location of the meter set assembly. This subsection shall not be effective with respect to building permits which are issued and subdivisions which are platted prior to October 1, 2000. For encroachment within the required three foot clearance caused by an action of the property owner, occupant or a service provider, after the

effective date of this rule the operator may require the property owner to resolve the encroachment or reimburse the operator the cost associated with relocating the pipeline system. The encroachment shall be resolved within 180 days of discovery or the operator shall discontinue service to the effected pipeline system. When the encroachment cannot be resolved within the 180 days the operator shall submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180-day requirement in order to allow the ratepayer and the operator to implement the written plan to resolve the encroachment.

- J. Operators of an intrastate pipeline transporting LNG, natural gas, other gases or hazardous liquid will utilize a cathodic protection system designed to protect the metallic pipeline in its entirety, in accordance with 49 CFR 192, Subpart I, ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975 except I (2) and (3) of Appendix D to Part 192 shall not be utilized.
- K. Operators of an intrastate pipeline transporting natural gas or other gas will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of

Pipeline Safety, and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

- L. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas will not install Acrylonitrile-Butadiene-Styrene (ABS) or aluminum pipe in their pipeline systems.
- M. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas will not install plastic pipe aboveground unless the plastic pipeline is protected by a metal casing, or equivalent, and approved by the Office of Pipeline Safety. Temporary aboveground plastic pipeline bypasses are permitted for up to sixty (60) days, provided that the plastic pipeline is protected and is under the direct supervision of the operator at all times.
- N. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas that construct a pipeline system or any portion thereof using plastic pipe, will install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe, tracer wire may be taped, or attached in some manner to the pipe provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall.
- O. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas ~~pipeline system~~ that construct an underground pipeline system ~~using plastic pipe~~, will bury the installed pipe with a minimum of 6 inches of sandy type soil surrounding the pipe for bedding and shading, free of any rock or debris, unless otherwise protected and approved by the Office of Pipeline Safety.
- P. Operators of an intrastate pipeline transporting natural gas or other gas ~~pipeline system~~ that construct an underground pipeline system using plastic pipe will install the pipe with

sufficient slack to allow for thermal expansion and contraction. ~~In addition, all plastic pipe shall be marked CD or CE as required by ASTM D2513-95e~~ In addition, all plastic pipe and fittings shall be marked "Gas" and shall be marked CD, CE, CF or CG as required by ASTM D2513(1995c Edition and no future editions), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, 1200 West Washington, Phoenix, Arizona 85007 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

- Q.** Operators of an intrastate pipeline system transporting hazardous liquid, natural gas or other gases shall qualify welding procedures and shall perform welding of steel pipelines in accordance with API Standard 1104. Each welder must be qualified in accordance with API Standard 1104, 49 CFR 192, appendix A. The qualification of welders delineated in 49 CFR 192, appendix C may be used for low stress level pipe.
- R.** Operators of an intrastate pipeline transporting natural gas or other gas pipeline system shall survey and grade all detected leakage by the following guide: ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 except 4.4(c) (1983 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASME, United Engineering Center, 345 East 47th Street, New York, N. Y. 10017. ("Should" as referenced in the Guide will be interpreted to mean "shall"). Leakage survey records shall identify in some manner each pipeline surveyed.

Records shall be maintained to demonstrate that the required leakage survey has been conducted.

S. Laboratory testing of intrastate pipelines shall be conducted in accordance with the following:

1. If an operator of an intrastate natural gas, other gas or hazardous liquid pipeline removes a portion of a pipeline that failed for any reason other than observable external corrosion or third-party damage, the operator shall retain the portion that was removed and shall notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this paragraph shall include all of the following:

- a. Identity of the failed pipeline.
- b. Location of the failure.
- c. Date and time of the removal.
- d. Length of the removed portion.
- e. Storage location of the removed portion.
- f. The operator's opinion regarding the probable cause or causes of the failure.
- g. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety.

2. Within forty-eight hours after notification pursuant to paragraph 1, the Office of Pipeline Safety shall notify the operator either that:

- a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure.

conduct the testing.

- b. Consider the qualifications of the respondent laboratories to perform the testing, including:
 - i. Past experience in performing the required test or tests according to ASTM International standards.
 - ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies.
- c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.
- d. The Office of Pipeline Safety shall not select a laboratory pursuant to this paragraph before either of the following, which ever occurs first:
 - i. The Office of Pipeline Safety has received written bids from at least three different laboratories.
 - ii. Thirty days from the date of the request for bids has passed.

~~S. T.~~ All repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquids, natural gas or other gas pipeline system will comply with the provisions of this Article.

~~T. U.~~ The Commission may waive compliance with any of the aforementioned parts upon a finding that such a waiver is in the interest of public and pipeline safety.

~~U. V.~~ To ensure compliance with provisions of this rule the Commission or an authorized representative thereof may enter the premises of an operator of an intrastate pipeline to inspect and investigate the property, books, papers, business methods, and affairs that pertain to the pipeline system operation.

~~V.~~ W. All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

R14-5-203. Pipeline Incident Reports and Investigations

A. Applicability. This rule applies to all intrastate pipeline systems.

B. Required incident reports by telephone:

1. Operators of an intrastate pipeline transporting LNG, natural gas or other gas pipeline system will notify by telephone the Office of Pipeline Safety upon discovery of the occurrence of any of the following:
 - a. The release of natural gas, other gas or liquefied natural gas (LNG) from a pipeline or LNG facility, when any of the following results:
 - i. Death or personal injury requiring hospitalization.
 - ii. An explosion or fire not intentionally set by the operator.
 - iii. Property damage, including the value of the gas lost, estimated in excess of \$5,000.
 - b. Emergency transmission pipeline shutdown.
 - c. News media inquiry.
 - d. Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%.
 - e. Permanent or temporary discontinuance of gas service to a master meter system or when assisting with the isolation of any portion of a gas master meter system due to a failure of a leak test.

- f. Emergency shutdown of a LNG process or storage facility.
2. Operators of an intrastate pipeline transporting hazardous liquid will notify by telephone the Office of Pipeline Safety upon discovery of the occurrence of any of the following:
 - a. Death or personal injury requiring hospitalization.
 - b. An explosion or fire not intentionally set by the operator.
 - c. Property damage estimated in excess of \$5,000.
 - d. Pollution of any land, stream, river, lake, reservoir, or other body of water that violates applicable environmental quality, water quality standards, causes a discoloration of the surface of the water or adjoining shoreline, or deposits sludge or emulsion beneath the surface of the water or upon adjoining shorelines.
 - e. News media inquiry.
 - f. Release of 5 gallons (19 liters) or more of hazardous liquid or carbon dioxide, except that no report is required for a release of less than 5 barrels (0.8 cubic meters) resulting from a pipeline maintenance activity if the release is:
 - i. Not otherwise reportable under this section;
 - ii. Not one described in 49 CFR 195.52(a)(4); (1994 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix,~~

Arizona 85007 2200 North Central Avenue, Suite 300,
Phoenix, Arizona 85004.

- iii. Confined to company property or pipeline right-of-way;
and
- iv. Cleaned up promptly.

g. Any release of hazardous liquid or carbon dioxide, that was significant in the judgment of the operator even though it did not meet the criteria of any other paragraph of this section.

3. Telephone incident reports will include the following information:

- a. Name of the pipeline system operator,
- b. Name of the reporting party,
- c. Job title of the reporting party,
- d. The reporting party's telephone number,
- e. Location of the incident,
- f. Time of the incident, and
- g. Fatalities and injuries, if any.

C. Require written incident report:

1. Operators of an intrastate pipeline transporting natural gas, LNG or other gases will file a written incident report when an incident occurs involving a natural gas or other gas pipeline that results in any of the following:

- a. An explosion or fire not intentionally set by the operator.
- b. Injury to a person that results in 1 or more of the following:
 - i. Death.

- ii. Loss of consciousness.
 - iii. Need for medical treatment requiring hospitalization.
 - c. Property damage, including the value of the lost gas, estimated in excess of \$5,000.
 - d. Emergency transmission pipeline shutdown.
 - e. Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%.
 - f. Emergency shutdown of a LNG process or storage facility.
- 2. Written incident reports concerning natural gas or other gas pipeline systems will be in the following form:
 - a. RSPA F7100.1 - Distribution System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.
 - b. RSPA F7100.2 - Transmission and Gathering System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.
 - c. Written incident reports with respect to LNG facilities will be in an

investigative form defining the incident and corrective action taken to prevent a reoccurrence.

3. Operators of an intrastate pipeline transporting hazardous liquid will make a written incident report on RSPA F 7000-1, (January 2001 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004, when there is a release of hazardous liquid which results in any of the following:
 - a. An explosion or fire not intentionally set by the operator.
 - b. Injury to a person that results in 1 or more of the following:
 - i. Death.
 - ii. Loss of consciousness.
 - iii. Inability to leave the scene of the incident unassisted.
 - iv. Need for medical treatment.
 - v. Disability which interferes with a person's normal daily activities beyond the date of the incident.
 - c. Release of 5 gallons (19 liters) or more of hazardous liquid or carbon dioxide, except that no report is required for a release of less than 5 barrels (0.8 cubic meters) resulting from a pipeline maintenance activity if the release is:
 - i. Not otherwise reportable under this section;
 - ii. Not one described in 49 CFR 195.52 (a)(4); (1994 Revision and no future revisions), incorporated by reference and on file

with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.

- iii. Confined to company property or pipeline right-of-way; and
 - iv. Cleaned up promptly.
 - d. Estimated property damage, including cost of clean-up and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding \$5,000.
 - e. News media inquiry.
4. Written incident reports as required in this Section will be filed with the Office of Pipeline Safety, within the time specified below:
- a. Natural gas, LNG or other gas - within 20 days after detection.
 - b. Hazardous liquids - within 15 days after detection.
5. The Operators shall also file a copy of all DOT required written incident reports with the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Washington, DC 20590.
6. Operators of a natural gas or other gas pipeline system will request a clearance from the Office of Pipeline Safety prior to turning on or reinstating service to a master meter operator.

D. Investigations by the Commission:

1. The Office of Pipeline Safety will investigate the cause of incidents resulting in death

or serious injury.

2. Pursuant to an investigation under this rule, the Commission, or an authorized agent thereof, may:
 - a. Inspect all plant and facilities of a pipeline system.
 - b. Inspect all other property, books, papers, business methods, and affairs of a pipeline system.
 - c. Make inquiries and interview persons having knowledge of facts surrounding an incident.
 - d. Attend, as an observer, hearings and formal investigations concerning pipeline system operators.
 - e. Schedule and conduct a public hearing into an incident.
3. The Commission may issue subpoenas to compel the production of records and the taking of testimony.
4. Incidents not reported in accordance with the provisions of this rule will be investigated by the Office of Pipeline Safety.
5. Incidents referred to in incomplete or inaccurate reports will be investigated by the Office of Pipeline Safety.
6. Late filed incident reports will be accompanied by a letter of explanation. Incidents referred to in late filed reports may be investigated by the Office of Pipeline Safety.

R14-5-204. Annual Reports

A. Except for operators of an intrastate pipeline transporting LNG, ~~hazardous liquid~~, all other intrastate pipeline operators will file with the Office of Pipeline Safety, not later than March 15, for the preceding calendar year, the following appropriate report(s):

1. RSPA F 7000-1.1 (February 2004 and no future editions) – “Annual Report for calendar year 20 __, hazardous liquid or carbon dioxide systems” and “Instructions for completing RSPA F 7000-1.1 Annual Report for calendar year 20 __ hazardous liquid or carbon dioxide systems incorporated by reference, on file with the Secretary of State and copies available from the Commission Office of Pipeline Safety, 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, U.S. Department of Transportation, Room 2335, 400 Seventh Street, S.W., Washington, DC 20590.

~~1.2.~~ RSPA F7100.1-1 (November 1985 Edition and no future editions) - "Annual Report for Calendar Year 20 __, Gas Distribution System" and "Instructions for Completing RSPA Form F7100.1-1, Annual Report for Calendar Year 20 __, Gas Distribution System", incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W., Washington, D.C. 20590.

~~2.3.~~ RSPA F7100.2-1 (January 2002 Edition and no future editions) - "Annual Report for Calendar Year 20 __, Gas Transmission and Gathering Systems" and "Instructions for Completing Form RSPA F7100.2-1, Annual Report for Calendar Year 20 __,

Gas Transmission and Gathering Systems", incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W., Washington, D.C. 20590.

- B. The operator will also file a copy of all required annual reports by March 15 to the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, 400 Seventh Street S.W., Washington, D.C. 20590-0001.

R14-5-205. Master Meter System Operators

- A. Applicability. This rule applies to the construction, reconstruction, repair, emergency procedures, operation and maintenance of all master meter systems, as a condition of receiving service from public service corporations. Noncompliance with this rule by operators of a master meter system shall constitute grounds for termination of service by the public service corporation when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the public service corporation oral instructions to terminate service, with written confirmation to be furnished within 24 hours.
- B. Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 191 and 192, revised as of ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the

Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~
2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States
Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

- C. The above mentioned incorporated parts of 49 CFR, except Part 191, are revised as follows:
1. Substitute "Commission" where "Administrator of the Research and Special Programs Administration", or "Office of Pipeline Safety" (OPS) appear.
 2. Substitute Office of "Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where the address for the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation appears.
- D. Operators of a master meter system will establish an Operation and Maintenance Plan (O & M) including an emergency plan. The plans must be maintained at the master meter system location.
- E. Operators of a master meter system will not construct any part of a natural gas or other gas system under a building or permit a building to be placed over a pipeline. Within 180 days of discovery of a building being located over a pipeline, the operator shall remove the building from over the pipeline, relocate the pipeline or discontinue the service to the pipeline located under the building.
- F. Operators of a master meter system will not install Acrylonitrile-Butadiene-Styrene (ABS) or aluminum pipe in their systems.
- G. Operators of a master meter system will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, ~~January 16, 2002~~ January 15,

2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

- H. Operators of a master meter system that construct a pipeline or any portion thereof using plastic pipe will install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe, tracer wire may be taped, or attached in some manner to the pipe provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall.
- I. Operators of a master meter system that construct an underground pipeline ~~using plastic pipe,~~ will bury the installed pipe with a minimum of 6 inches of sandy type soil surrounding the pipe for bedding and shading, free of any rock or debris, unless otherwise protected and approved by the Office of Pipeline Safety.
- J. Operators of a master meter system that construct an underground pipeline using plastic pipe will install the pipe with sufficient slack to allow for thermal expansion and contraction. ~~In addition, all plastic pipe shall be marked CD or CE as required by ASTM D2513-95e~~ In addition, all plastic pipe and fittings shall be marked "Gas" and shall be marked CD, CE, CF or CG as required by ASTM D2513 (1995c Edition and no future editions), incorporated by reference, on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASTM, 1916 Race

Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

- K. Operators of a master meter gas system shall qualify welding procedures and shall perform welding of steel pipelines in accordance with API Standard 1104. Each welder must be qualified in accordance with API Standard 1104, 49 CFR 192, appendix A.
- L. All repair work performed on existing master meter systems will comply with the provisions of this Article.
- M. Operators of a master meter system will not construct any part of a natural gas or other gas system closer than 8 inches to any other underground structure.
- N. Operators of a master meter system will file a Notice of Construction 30 days prior to commencement of the construction of any pipeline. The Notice will contain the following information:
 - 1. The dates of construction,
 - 2. The size and type of pipe to be used,
 - 3. The location of construction, and
 - 4. The Maximum Allowable Operating Pressure (MAOP).
- O. Operators of a master meter system will perform leakage surveys at intervals not exceeding 15 months but at least once each calendar year and will survey and grade all detected leakage by the following guide -- ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 (1983 Revision and no future revisions), except 4.4(c), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington,~~ Phoenix, Arizona 85007 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and

the ASME, United Engineering Center, 345 East 47th Street, New York, New York 10017.

(“Should” as referenced in the guide will be interpreted to mean “shall”.) Leak detection procedures shall be approved by the Office of Pipeline Safety.

P. Laboratory testing of master meter systems shall be conducted in accordance with the following:

1. If an operator of a master meter system removes a portion of a pipeline that failed for any reason other than observable external corrosion or third-party damage, the operator shall retain the portion that was removed and shall notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this paragraph shall include all of the following:

- a. Identity of the failed pipeline.
- b. Location of the failure.
- c. Date and time of the removal.
- d. Length of the removed portion.
- e. Storage location of the removed portion.
- f. The operator’s opinion regarding the probable cause or causes of the failure.
- g. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety.

2. Within forty-eight hours after notification pursuant to paragraph 1, the Office of Pipeline Safety shall notify the operator either that:

- a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure.

- conduct the testing.
- b. Consider the qualifications of the respondent laboratories to perform the testing, including:
- i. Past experience in performing the required test or tests according to ASTM International standards.
- ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies.
- c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.
- d. The Office of Pipeline Safety shall not select a laboratory pursuant to this paragraph before either of the following, which ever occurs first:
- i. The Office of Pipeline Safety has received written bids from at least three different laboratories.
- ii. Thirty days from the date of the request for bids has passed.

P. Q. Operators of a master meter system will file an annual report with the Commission on Commission Form 1-90/15M (1990 Edition and no future editions), "Annual Report for Calendar Year 20____, Small Operators of Gas Distribution System," incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission, Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004. This report will be filed with the Office of Pipeline Safety not later than April 15 for the preceding calendar year.

Q. R. The Commission may waive compliance with any of the aforementioned parts upon a finding that such a waiver is in the interest of public safety.

~~R. S.~~ To ensure compliance with provisions of this rule, the Commission or an authorized representative thereof, may enter the premises of an operator of a master meter system to inspect and investigate the property, books, papers, business methods, and affairs that pertain to the operation of the master meter system.

~~S. T.~~ All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

CONCISE EXPLANATORY STATEMENT

This explanatory statement is provided to comply with the provisions of A.R.S. §41-1036.

I. CHANGES IN THE TEXT OF THE PROPOSED RULES FROM THAT CONTAINED IN THE NOTICE OF RULEMAKING FILED WITH THE SECRETARY OF STATE EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED RULES

There have been no changes to the rules since the Notice of Final Rulemaking was published by the Secretary of State in Volume 9, Issue 32 of the August 8, 2003 *Register*.

II. EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED RULES

The proposed amended Arizona Corporation Commission Pipeline Safety Rules ("Rules") will update the Rules by incorporating by reference the most recent amendments to the Code of Federal Regulations (CFR), Title 49, Parts 191, 192, 193, 195, 199, and Part 40 (minimum safety standards for construction and maintenance of natural gas, other gases and hazardous liquid pipeline facilities, and pipeline operator's alcohol and drug enforcement programs).

The Arizona Corporation Commission ("Commission") has been granted agent status allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status the Commission must, pursuant to the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act, adopt and keep current with the Federal Pipeline Safety Standards.

The Commission believes that through the adoption and incorporating by reference of CFR Title 49 updates, the rules will be consistent with the Federal Regulations and will enhance public safety which will be in the best interest of all citizens in the State of Arizona.

R14-5-202

Issue: The proposed amendments update the Rules to incorporate the most recent amendments to the Code of Federal Regulations.

Analysis: The proposed amendments incorporate the January 15, 2004 Code of Federal Register revisions. No parties opposed the proposed amendments.

Resolution: Staff's proposed amendments to the Rule should be adopted.

R14-5-203

Issue: The proposed amendments update the Rules to incorporate the most recent amendments to the Code of Federal Regulations.

Analysis: The proposed amendments incorporate the January 15, 2004 Code of Federal Register revisions. No parties opposed the proposed amendments.

Resolution: Staff's proposed amendments to the Rule should be adopted.

R14-5-204

Issue: The proposed amendments update the Rules to incorporate the most recent amendments to the hazardous liquids section of Title 49 of the Code of Federal Regulations.

Analysis: The proposed amendments incorporate the January 15, 2004 Code of Federal Register revisions. No parties opposed the proposed amendments.

Resolution: Staff's proposed amendments to the Rule should be adopted.

R14-5-205

Issue: The proposed amendments update the Rules to incorporate the most recent amendments to the Title 49 of the Code of Federal Regulations.

Analysis: The proposed amendments are required for consistency with the federal code. No parties objected to Staff's proposed amendments.

Resolution: Staff's proposed amendments to the Rule should be adopted.

R14-5-202(B).

Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 40, 191, 192 except I (2) and (3) of Appendix D to Part 192, 193, 195, except 195.1(b)(2) and (3), and 199, revised as ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North

Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

R14-5-202(E)(1)(2)

1. NACE Standard MR-0175-99 (1999 Revision); (and no future revisions), Standard Materials Requirements-Sulfide Stress Cracking Resistant Metallic Material for Oilfield Equipment, incorporated by reference and no future amendments. Copies are available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the NACE International, P.O. Box 218340, Houston, Texas 77218-8340 and on file with the Office of the Secretary of State.
2. API RP55 (1995 Edition); (and no future amendments), API recommended practice for conducting oil and gas production operations involving hydrogen sulfide, incorporated by reference and no future amendments. Copies are available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the CSSINFO, 310 Miller Avenue, Ann Arbor, Michigan, 48103 and on file with the Office of the Secretary of State.

R14-5-202(G)

Operators of an intrastate distribution pipeline transporting ~~LNG, hazardous liquid,~~ natural gas or other gas will not construct any part of a pipeline system closer than 8 inches to any other underground structure. If the 8-inch clearance cannot be maintained from other underground structures, a sleeve, casing, or shielding shall be used.

R14-5-202(J)

Operators of an intrastate pipeline transporting LNG, natural gas, other gases or hazardous liquid will utilize a cathodic protection system designed to protect the metallic pipeline in its entirety, in accordance with 49 CFR 192, Subpart I, ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975 except I (2) and (3) of Appendix D to Part 192 shall not be utilized.

R14-5-202(O)

Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas ~~pipeline system~~ that construct an underground pipeline system ~~using plastic pipe~~, will bury the installed pipe with a minimum of 6 inches of sandy type soil surrounding the pipe for bedding and shading, free of any rock or debris, unless otherwise protected and approved by the Office of Pipeline Safety.

R14-5-202(P)

Operators of an intrastate pipeline transporting natural gas or other gas ~~pipeline system~~ that construct an underground pipeline system using plastic pipe will install the pipe with sufficient slack to allow for thermal expansion and contraction. ~~In addition, all plastic pipe shall be marked CD or CE as required by ASTM D2513-95e~~ In addition, all plastic pipe and fittings shall be marked "Gas" and shall be marked CD, CE, CF or CG as required by ASTM D2513 (1995c Edition and no future editions), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of

Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

R14-5-202(R)

Operators of an intrastate pipeline transporting natural gas or other gas pipeline system shall survey and grade all detected leakage by the following guide: ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 except 4.4(c) (1983 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASME, United Engineering Center, 345 East 47th Street, New York, N. Y. 10017. ("Should" as referenced in the Guide will be interpreted to mean "shall"). Leakage survey records shall identify in some manner each pipeline surveyed. Records shall be maintained to demonstrate that the required leakage survey has been conducted.

R14-5-202

S. Laboratory testing of intrastate pipelines shall be conducted in accordance with the following:

- If an operator of an intrastate natural gas, other gas or hazardous liquid pipeline removes a portion of a pipeline that failed for any reason other than observable external corrosion or third-party damage, the operator shall retain the portion that was removed and shall notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this paragraph shall include all of the following:**

- a. Identity of the failed pipeline.
 - b. Location of the failure.
 - c. Date and time of the removal.
 - d. Length of the removed portion.
 - e. Storage location of the removed portion.
 - f. The operator's opinion regarding the probable cause or causes of the failure.
 - g. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety.
2. Within forty-eight hours after notification pursuant to paragraph 1, the Office of Pipeline Safety shall notify the operator either that:
- a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure.
 - b. The Office of Pipeline Safety is not directing laboratory testing and the operator may discard the portion of the pipeline that was removed.
3. If the Office of Pipeline Safety directs laboratory testing pursuant to paragraph 2, subparagraph a:
- a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to paragraph 4 and the period of time within which the testing is to be completed.
 - ii. Approve the number and types of tests to be performed.
 - iii. Notify the operator of its determinations pursuant to items i and ii of this subparagraph.

- b. The operator shall:
 - i. Notify the Office of Pipeline Safety of the number and types of tests proposed by the operator.
 - ii. Notify the Office of Pipeline Safety of the date and time of any laboratory tests at least twenty days before the tests are done.
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests.
 - iv. Ensure that the original laboratory test results are provided to the Office of Pipeline Safety within thirty days of the completion of the tests.
 - v. Pay for the laboratory testing.
- 4. In determining a laboratory pursuant to paragraph 3, subparagraph a, item i, the Office of Pipeline Safety shall:
 - a. Submit a written request to at least three different laboratories for bids to conduct the testing.
 - b. Consider the qualifications of the respondent laboratories to perform the testing, including:
 - i. Past experience in performing the required test or tests according to ASTM International standards.
 - ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies.
 - c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.

- d. The Office of Pipeline Safety shall not select a laboratory pursuant to this paragraph before either of the following, which ever occurs first:
- i. The Office of Pipeline Safety has received written bids from at least three different laboratories.
- ii. Thirty days from the date of the request for bids has passed.

R14-5-202(T)

All repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquids, natural gas or other gas ~~pipeline system~~ will comply with the provisions of this Article.

R14-5-203(B)(1)

Operators of an intrastate pipeline transporting LNG, natural gas or other gas ~~pipeline system~~ will notify by telephone the Office of Pipeline Safety upon discovery of the occurrence of any of the following:

R14-5-203(B)(A)(F)(ii)

Not one described in 49 CFR 195.52(a)(4); (1994 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.

R14-5-203(C)(2)(A)

RSPA F7100.1 - Distribution System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.

R14-5-203(C)(2)(B)

RSPA F7100.2 - Transmission and Gathering System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.

R14-5-203(C)(3)

Operators of an intrastate pipeline transporting hazardous liquid will make a written incident report on RSPA F 7000-1, (January 2001 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004, when there is a release of hazardous liquid which results in any of the following:

R14-5-203(C)(3)(ii)

Not one described in 49 CFR 195.52 (a)(4);); (1994 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004.

R14-5-204(A)

Except for operators of an intrastate pipeline transporting LNG, ~~hazardous liquid~~, all other intrastate pipeline operators will file with the Office of Pipeline Safety, not later than March 15, for the preceding calendar year, the following appropriate report(s):

1. RSPA F 7000-1.1 (February 2004 and no future editions) – “Annual Report for calendar year 20 , hazardous liquid or carbon dioxide systems” and “Instructions for completing RSPA F 7000-1.1 Annual Report for calendar year

20 hazardous liquid or carbon dioxide systems incorporated by reference, on file with the Secretary of State and copies available from the Commission Office of Pipeline Safety, 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, U.S. Department of Transportation, Room 2335, 400 Seventh Street, S.W., Washington, DC 20590.

2. RSPA F7100.1-1 (November 1985 Edition and no future editions) - "Annual Report for Calendar Year 20___, Gas Distribution System" and "Instructions for Completing RSPA Form F7100.1-1, Annual Report for Calendar Year 20___, Gas Distribution System", incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W., Washington, D.C. 20590.
3. RSPA F7100.2-1 (January 2002 Edition and no future editions) - "Annual Report for Calendar Year 20___, Gas Transmission and Gathering Systems" and "Instructions for Completing Form RSPA F7100.2-1, Annual Report for Calendar Year 20___, Gas Transmission and Gathering Systems", incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration,

U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W.,
Washington, D.C. 20590.

R14-5-205(B)

Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 191 and 192, revised as of ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

R14-5-205(G)

Operators of a master meter system will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, ~~January 16, 2002~~ January 15, 2004 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

R14-5-205(J)

Operators of a master meter system that construct an underground pipeline using plastic pipe will install the pipe with sufficient slack to allow for thermal expansion and contraction. ~~In addition, all plastic pipe shall be marked CD or CE as required by ASTM D2513-95e.~~ In addition, all plastic pipe and fittings shall be marked "Gas" and shall be marked CD, CE, CF or CG as required by ASTM D2513 (1995c Edition and no future editions), incorporated by reference, on file with the Office of the Secretary of State and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

R14-5-205(O)

Operators of a master meter system will perform leakage surveys at intervals not exceeding 15 months but at least once each calendar year and will survey and grade all detected leakage by the following guide -- ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 (1983 Revision and no future revisions), except 4.4(c), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Commission Office of Pipeline Safety, ~~1200 West Washington, Phoenix, Arizona 85007~~ 2200 North Central Avenue, Suite 300, Phoenix, Arizona 85004 and the ASME, United Engineering Center, 345 East 47th Street, New York, New York 10017. ("Should" as referenced in the guide will be interpreted to mean "shall".) Leak detection procedures shall be approved by the Office of Pipeline Safety.

R14-5-205

P. Laboratory testing of master meter systems shall be conducted in accordance with the following:

1. If an operator of a master meter system removes a portion of a pipeline that failed for any reason other than observable external corrosion or third-party damage, the operator shall retain the portion that was removed and shall notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this paragraph shall include all of the following:

- a. Identity of the failed pipeline.
- b. Location of the failure.
- c. Date and time of the removal.
- d. Length of the removed portion.
- e. Storage location of the removed portion.
- f. The operator's opinion regarding the probable cause or causes of the failure.
- g. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety.

2. Within forty-eight hours after notification pursuant to paragraph 1, the Office of Pipeline Safety shall notify the operator either that:

- a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure.
- b. The Office of Pipeline Safety is not directing laboratory testing and the operator may discard the portion of the pipeline that was removed.

3. If the Office of Pipeline Safety directs laboratory testing pursuant to paragraph 2, subparagraph a:
 - a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to paragraph 4 and the period of time within which the testing is to be completed.
 - ii. Approve the number and types of tests to be performed.
 - iii. Notify the operator of its determinations pursuant to items i and ii of this subparagraph.
 - b. The operator shall:
 - i. Notify the Office of Pipeline Safety of the number and types of tests proposed by the operator.
 - ii. Notify the Office of Pipeline Safety of the date and time of any laboratory tests at least twenty days before the tests are done.
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests.
 - iv. Ensure that the original laboratory test results are provided to the Office of Pipeline Safety within thirty days of the completion of the tests.
 - v. Pay for the laboratory testing.
4. In determining a laboratory pursuant to paragraph 3, subparagraph a, item i, the Office of Pipeline Safety shall:
 - a. Submit a written request to at least three different laboratories for bids to conduct the testing.

- b. Consider the qualifications of the respondent laboratories to perform the testing, including:
 - i. Past experience in performing the required test or tests according to ASTM International standards.
 - ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies.
- c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.
- d. The Office of Pipeline Safety shall not select a laboratory pursuant to this paragraph before either of the following, which ever occurs first:
 - i. The Office of Pipeline Safety has received written bids from at least three different laboratories.
 - ii. Thirty days from the date of the request for bids has passed.

STATEMENT OF EFFECT ON SMALL BUSINESS

1. **Small Business Subject to the Rules:** These rules do not change most of the responsibilities of master meter operators already established in 1970 by the adoption by the Commission of the Code of Federal Regulations, Title 49, Parts 191 and 192. But the proposed amendments to the rules do add requirements regarding laboratory testing of failed portions of pipeline when an incident occurs requiring laboratory testing. A.A.C. R14-5-202(S) and R14-5-205(P). The requirements include the Office of Pipeline Safety selecting the laboratory where a failed portion of pipeline is to be tested, the number and type of tests to be performed and that the results of the testing be directly sent to the Office of Pipeline Safety. While 49 CFR Part 192.617 requires the Company to establish procedures for analyzing a failure and determine the cause of an incident, including samples for laboratory examination, the proposed amendments regarding laboratory testing puts further requirements on operators.
2. **Professional Skills and Reporting and Bookkeeping Procedures Required for Compliance:** No professional skills are required, and the reporting and bookkeeping requirements are the same as previously required.
3. **Description of Methods Used to Reduce Impact on Small Businesses:** The new requirements that would impact the small business community are minimal because most small businesses are not master meter operators, nor are they intrastate pipeline operators.
4. **Feasibility and Legality of Methods in three (3) above:**
Not applicable.

**ECONOMIC IMPACT STATEMENT
PER A.R.S. SECTION 41-1055**

1. **BRIEF DESCRIPTION:** These amendments will amend already existing rules. (R14-5-202, R14-5-203, R14-5-204 and R14-5-205) under Chapter 5 entitled "Transportation".

The proposed amendments to the existing rules are designed to update the Arizona Corporation Commission Pipeline Safety rules to recognize the amendments to Title 49, Code of Federal Regulations (CFR) Parts 40, 191, 192, 193, 195 and 199 as of January 15, 2004 (Minimum Safety Standards for Construction, Operation and Maintenance of natural gas, other gases and hazardous liquid pipeline facilities). Furthermore, the proposed amendments will change the physical address for the Office of Pipeline Safety. The proposed amendments to A.A.C. R14-5-202(O) and R14-5-205(I) will define proper shading to be provided around metallic underground pipelines during construction. Proposed amendments have changed the requirements for marking fittings and plastic pipelines. A.A.C. R14-5-202(P) and R14-5-205(J). The proposed amendments regarding laboratory testing of a failed pipeline, A.A.C. R14-5-202(S) and R14-5-205(P), place requirements on both intrastate pipeline operators and master meter operators. These requirements include the Office of Pipeline Safety selecting the laboratory where a failed portion of pipeline is to be tested, the number and type of tests to be performed and that the results of the testing be directly sent to the Office of Pipeline Safety. While 49 CFR Part 192.617 requires the Company to establish procedures for analyzing a failure and determine the cause of an incident, including samples

for laboratory examination, the proposed amendments regarding laboratory testing puts further requirements on operators.

2. **NEED:** The Commission has been granted agent status allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status the Commission must, pursuant to the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act, adopt and keep current with the Federal Pipeline Safety Standards.

The Commission believes that through the adoption and incorporating by reference of CFR Title 49 updates, the rules will be consistent with the Federal Regulations and will enhance public safety which will be in the best interest of all citizens' in the State of Arizona

In addition, the Office of Pipeline Safety has the authority to impose additional restrictions on intrastate pipelines, so long as the additional restrictions are not inconsistent with the federal regulations. The Office of Pipeline Safety believes that the additional regulations regarding laboratory testing, shading of pipelines, and the marking of plastic pipelines and fittings are necessary to best ensure the public health and safety.

3. **AFFECTED CLASSES OF PERSONS:**

- A. Operators of master meter gas distribution systems.
- B. Intrastate operators of natural gas and other gas pipelines.
- C. Intrastate operators of hazardous liquid pipelines.

4. **RULE IMPACT ON AFFECTED CLASSES OF PERSONS:**

- A. There will be mostly no impact on master meter system operators if they are already complying with the Federal Pipeline Safety Regulations. The proposed amendments regarding shading and the marking of plastic pipe and fittings should have no impact. The proposed amendments regarding laboratory testing may have some impacts pertaining to the selection of the laboratory, the types and number of tests to be performed and the sending of the results directly to the Office of Pipeline Safety.
- B. There will be little impact on operators of natural gas or other gas systems if they are already complying with the Federal Pipeline Safety Standards. The proposed amendments regarding shading and the marking of plastic pipe and fittings should have no impact. The proposed amendments regarding laboratory testing may have some impacts pertaining to the selection of the laboratory, the types and number of tests to be performed and the sending of the results directly to the Office of Pipeline Safety.
- C. There will be little impact on operators of hazardous liquid pipelines if they are already complying with the Federal Pipeline Safety Standards. The proposed amendments regarding shading and the marking of plastic pipe and fittings should

have no impact. The proposed amendments regarding laboratory testing may have some impacts pertaining to the selection of the laboratory, the types and number of tests to be performed and the sending of the results directly to the Office of Pipeline Safety.

5. **COST AND BENEFITS TO THE AGENCY:** The Commission will have better access to information on status of hazardous liquid pipelines operating within Arizona. The amendments to the rules will have no effect on other state agencies. While the proposed amendments regarding laboratory testing may have some impacts on pipeline and master meter operators, the amendments are required to best ensure the public health and safety. The Office of Pipeline Safety must have the ability to best determine the cause of an incident. Laboratory testing is a key means to determine the cause or causes of a leak, explosion or other incident involving natural gas or hazardous liquid. Thus, the Office of Pipeline Safety must have the ability to mandate the number and types of laboratory testing and must get the results of any testing in a direct and expedient fashion. The benefits of the proposed amendments regarding shading requirements for hazardous liquid pipelines are that the public health is better ensured. The benefits of the proposed amendments regarding the marking of fittings and plastic pipelines are (1) to meet the new standards for newly-installed fittings and plastic pipelines and (2) to accurately reflect the ratings of those fittings and plastic pipelines. Overall, the benefits to the public health and safety outweigh whatever impacts to master meter and intrastate pipeline operators may occur.

6. **COST AND BENEFITS TO POLITICAL SUBDIVISIONS:** For those political subdivisions that are operators of intrastate pipelines or master meter operators, there will be little impact on political subdivisions if they are already complying with the Federal Pipeline Safety Regulations. Any impacts to those political subdivisions that are operators will be similar to those impacts by any other operators. The benefits to political subdivisions are the preservation of the public health and safety as described above.
7. **COST AND BENEFITS TO PRIVATE PERSONS:** There should be little additional cost to taxpayers, ratepayers or customers. The impact of the rule changes is to provide the taxpayers, ratepayers and customers with improved safety and to assure that all construction, operation and maintenance activities are accomplished in accordance with the established minimum Federal safety standards, and additional state standards, where appropriate.
8. **COST AND BENEFITS TO CONSUMERS OR USERS OF ANY PRODUCT OR SERVICE IN THE IMPLEMENTATION OF THE NEW RULES:** The new rules will have no effect upon consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but, this will benefit consumers, users and the general public by the operation and maintenance of a safe pipeline system.
9. **LESS COSTLY OR INTRUSIVE METHODS:** The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. There

are no less intrusive methods that will ensure the public health and safety to the degree that the proposed amendments will ensure.

10. **ALTERNATIVE METHODS CONSIDERED:** There are no alternative methods available that ensure the public health and safety to the degree the proposed amendments ensure.

AGENCY RECEIPT

Notice of Proposed Rulemaking

1. Agency name: Arizona Corporation Commission
2. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:

<u>Subchapters, Articles, Parts, and Sections</u>	<u>Action</u>
Article 2. Pipeline Safety	
R14-5-202	Amend.
R14-5-203	Amend.
R14-5-204	Amend.
R14-5-205	Amend.

AGENCY RECEIPT

NOTICE OF RULEMAKING DOCKET OPENING

1. Agency name: Arizona Corporation Commission
2. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:

<u>Subchapters, Articles, Parts, and Sections</u>	<u>Action</u>
Article 2. Pipeline Safety	
R14-5-202	Amend.
R14-5-203	Amend.
R14-5-204	Amend.
R14-5-205	Amend.

AGENCY CERTIFICATE

1. Agency name: Arizona Corporation Commission
2. Chapter heading: Corporation Commission-Transportation
3. Code citation for the Chapter: 14 A.C.C. 5
4. The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:

Subchapters, Articles, Parts, and Sections	Action:
Article 2. Pipeline Safety	
R14-5-202	Amend.
R14-5-203	Amend.
R14-5-204	Amend.
R14-5-205	Amend.

5. The rules contained in this package are true and correct as (proposed, adopted, etc.).

6. _____
Signature of Agency Chief Executive Officer

- _____ Date of signing

_____ Executive Secretary

_____ Title of signer

7. No changes have been made to these rules since the Governor's Regulatory Review Council approved the rules. (This statement need only appear when the rules being submitted are final rules or summary rules approved by the Council.)

NOTICE OF RULEMAKING DOCKET OPENING

ARIZONA CORPORATION COMMISSION

- Title and its heading:** 14, Public Service Corporations; Corporations and Associations; Securities Regulation

Chapter and its heading: 5, Corporation Commission - Transportation

Subchapter and its heading (if applicable): 2, Pipeline Safety

Article and its heading: R14-5-202 through R14-5-205
- The subject matter of the proposed rule:** These amendments will amend already existing rules (R14-5-202, R14-5-203, R14-5-204, and R14-5-205) under Chapter 5. The proposed amendments are designed to update the Arizona Corporation Commission Transportation rules and to recognize the latest federal standards revisions pertaining to LNG, hazardous liquids, natural gas and other gas pipeline systems and revisions to Title 49 Code of Federal Regulations (CFR), Parts 40, 191, 192, 193, 195, and 199 with exceptions. The Commission believes that by incorporating by reference Title 49 CFR Parts 40, 191, 192, 193, 195 and 199, the rules will be consistent with current best practices and will enhance public safety which is in the best interest of all citizens in the state of Arizona. In addition, Staff is proposing new regulations setting parameters for laboratory testing for both intrastate pipeline operators and master meter operators. These amendments require that the operator retains a removed portion of pipeline that failed for any reason other than observable external corrosion or third-party damage. The Commission's Office of Pipeline Safety ("OPS"), a section of Staff, shall be notified of the removal within two hours after the removal is completed by the operator. Also, the operator will be required to provide specific information about the removed portion of pipeline. Per the new regulations, OPS shall have forty-eight hours to notify the operator that it is directing the operator to have the portion of pipeline removed tested by a laboratory or that the portion of pipeline removed may be discarded. Furthermore, the new regulations state that OPS shall select the laboratory to test the failed portions of pipeline. OPS shall establish the time frame for the testing, the number of tests, and the type of tests to be performed on the portion of pipeline that was removed. OPS shall notify the operator of its determinations. Per the new proposed regulations, the operator shall notify OPS of the number and types of tests it proposes. The operator will be required to notify

OPS of the date and time of any laboratory tests at least twenty days before the tests are done. A representative from OPS will be permitted to observe any and all of tests, if such a request is made by OPS. Furthermore, the new regulations will require the operator to ensure that the original laboratory test results are provided to OPS within thirty (30) days of the completion of the tests. Finally, the new regulations make explicit that the operator is to pay for the laboratory testing. The new regulations also provide for a formal selection process. OPS shall be required to submit written requests to at least three different laboratories for bids to conduct the testing. OPS, when selecting a laboratory, shall consider the qualifications of the respondent laboratories to perform the testing, including past experience in performing the required test or tests according to ASTM International standards or any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies. OPS shall select the laboratory that offers the optimum balance between costs and demonstrated ability to perform the required test or tests. OPS must wait until it receives three written quotations to conduct the testing, or OPS must wait at least thirty days from the date the request for bids has passed, before selecting a laboratory to conduct the testing. The Federal regulations, in Title 49 CFR Part 192.617, requires the company to establish procedures for analyzing a failure and determine the cause of an incident, including selection of samples for laboratory examination. The federal regulation does not specifically require Staff approval of a laboratory. This proposed amendment would also allow Staff the opportunity to coordinate the testing of the failed specimen and to be present for the testing. These new regulations are recommended by Staff as a result of recent pipeline safety-related events. R14-5-202(S), R14-5-205(P). In addition, the amended pipeline safety rules will also require operators of hazardous liquid pipelines to file annual reports. R14-5-204(A). In addition, all newly installed natural gas, hazardous liquid or other gas intrastate pipelines will be required to have proper bedding and shading, as described in R14-5-202(O) and R14-5-205(I). In addition, the updated rules will require all plastic pipe and fittings to be marked "Gas" and marked with CD, CE, CF or CG per ASTM D2513. R14-5-202(P) and R14-5-205(J). In addition, the rules update the location of the OPS to 2200 North Central, Suite 300, Phoenix, Arizona 85004. R14-5-202(B), (E), (J), (P), (R), R14-5-203(B), (C), R14-5-204(A) and R14-5-205(B), (G), (O), (Q). The proposed amendments will conform to the most recent amendments of the Federal Pipeline Safety

Regulations, which is required by the Commission's Agreement with the United States Department of Transportation, Office of Pipeline Safety, and require for the Commission's Pipeline Safety Group to receive Federal funds for Pipeline Safety Programs. Staff believes that the proposed amendments will be beneficial to the general public by maintaining the safe operation of pipeline facilities.

The agency docket number, if applicable: RG-00000A-04-_____

3. A citation to all published notices relating to the proceeding:

Notice of Rulemaking Docket Opening

_____ A.A.R. _____, _____

Vol. # page # Issue date

4. The name and address of agency personnel with whom persons may communicate regarding the rule:

Name: Jason D. Gellman

Address: Corporation Commission, Legal Division

1200 West Washington

Phoenix, Arizona 85007

Telephone: 602-542-3402

Fax number: 602-542-4870

5. The time during which the agency will accept written comments and the time and place where oral comments may be made:

The time when and the place where oral and written comments may be made will be established by the Arizona Corporation Commission in its Procedural Order the Commission's Decision during Open Meeting. The date, time and place for public comment will be noticed in accordance with ARS 38-431 et seq..

6. A timetable for agency decisions or other action on the proceeding, if known:

The amendments will be adopted by the Arizona Corporation Commission at a regularly scheduled or a special Open Meeting and forwarded to the Attorney General for certification in accordance with ARS § 41-1044. The notice and agenda will be posted in accordance with state law and will be

mailed to those entities/individuals on the service list accompanying the Commission Decision authorizing the filing of the Notice of Proposed Rulemaking with the Secretary of State.

NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 5. CORPORATION COMMISSION - TRANSPORTATION

PREAMBLE

- | <u>Sections Affected</u> | <u>Rulemaking Action</u> |
|--------------------------|--------------------------|
| R14-5-202 | Amend. |
| R14-5-203 | Amend. |
| R14-5-204 | Amend. |
| R14-5-205 | Amend. |

2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statute: A.R.S. §§ 40-202, 40-203, 40-321, 40-441 and 40-442 et seq.

Constitutional authority: Arizona Constitution, Article XV

Implementing statute: Not applicable

- A list of all previous notices appearing in the Register addressing the proposed rule:

Notice of Rulemaking Docket Opening _____ A.A.R. _____, _____

Notice of Proposed Rulemaking _____ A.A.R. _____, _____

Vol. # page # Issue date

- The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Jason D. Gellman, Commission Counsel, Legal Division

Address: Corporation Commission
1200 West Washington Street

Phoenix, Arizona 85007

Telephone Number: (602) 542-3402

Fax Number: (602) 542-4870

5. An explanation of the rule, including the agency's reasons for initiating the rule:

Staff is proposing amendments to transportation rules R14-5-202, R14-5-203, R14-5-204 and R14-5-205. The amendments will update the rules to incorporate the most recent amendments to the Code of Federal Regulations (CFR), Title 49, Parts 40, 191, 192, except I (2) and (3) of Appendix D to Part 192, 193, 195 (except 195.1(b)(2) and (3)) and 199 revised as of January 15, 2004. In addition, Staff is proposing new regulations setting parameters for laboratory testing for both intrastate pipeline operators and master meter operators. These amendments require that the operator retains a removed portion of pipeline that failed for any reason other than observable external corrosion or third-party damage. The Commission's Office of Pipeline Safety ("OPS"), a section of Staff, shall be notified of the removal within two hours after the removal is completed by the operator. Also, the operator will be required to provide specific information about the removed portion of pipeline. Per the new regulations, OPS shall have forty-eight hours to notify the operator that it is directing the operator to have the portion of pipeline removed tested by a laboratory or that the portion of pipeline removed may be discarded. Furthermore, the new regulations state that OPS shall select the laboratory to test the failed portions of pipeline. OPS shall establish the time frame for the testing, the number of tests, and the type of tests to be performed on the portion of pipeline that was removed. OPS shall notify the operator of its determinations. Per the new proposed regulations, the operator shall notify OPS of the number and types of tests it proposes. The operator will be required to notify OPS of the date and time of any laboratory tests at least twenty days before the tests are done. A representative from OPS will be permitted to observe any and all of tests, if such a request is made by OPS. Furthermore, the new regulations will require the operator to ensure that the original laboratory test results are provided to OPS within thirty (30) days of the completion of the tests. Finally, the new regulations make explicit that the operator is to pay for the laboratory testing. The new regulations also provide for a formal selection process. OPS shall be required to submit written requests to at least three different laboratories for bids to conduct the testing. OPS, when selecting a laboratory, shall consider the qualifications of the respondent laboratories to perform the testing, including past experience in performing the required test or tests according to ASTM International standards or any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies. OPS shall select the laboratory that offers the optimum balance between costs and demonstrated ability to perform the required

test or tests. OPS must wait until it receives three written quotations to conduct the testing, or OPS must wait at least thirty days from the date the request for bids has passed, before selecting a laboratory to conduct the testing. The Federal regulations, in Title 49 CFR Part 192.617, requires the company to establish procedures for analyzing a failure and determine the cause of an incident, including selection of samples for laboratory examination. The federal regulation does not specifically require Staff approval of a laboratory. This proposed amendment would also allow Staff the opportunity to coordinate the testing of the failed specimen and to be present for the testing. These new regulations are recommended by Staff as a result of recent pipeline safety-related events. R14-5-202(S), R14-5-205(P). In addition, the amended pipeline safety rules will also require operators of hazardous liquid pipelines to file annual reports. R14-5-204(A). In addition, all newly installed natural gas, hazardous liquid or other gas intrastate pipelines will be required to have proper bedding and shading, as described in R14-5-202(O) and R14-5-205(I). In addition, the updated rules will require all plastic pipe and fittings to be marked "Gas" and marked with CD, CE, CF or CG per ASTM D2513. R14-5-202(P) and R14-5-205(J). In addition, the rules update the location of the OPS to 2200 North Central, Suite 300, Phoenix, Arizona 85004. R14-5-202(B), (E), (J), (P), (R), R14-5-203(B), (C), R14-5-204(A) and R14-5-205(B), (G), (O), (Q). The proposed amendments will conform to the most recent amendments of the Federal Pipeline Safety Regulations, which is required by the Commission's Agreement with the United States Department of Transportation, Office of Pipeline Safety, and require for the Commission's Pipeline Safety Group to receive Federal funds for Pipeline Safety Programs. Staff believes that the proposed amendments will be beneficial to the general public by maintaining the safe operation of pipeline facilities.

6. A reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:

None

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

The Commission believes that by incorporating by reference Title 49 CFR Parts 40, 191, 192, except I (2) and (3) of Appendix D to Part 192, 193, 195 (except 195.1(b)(2) and (3)) and 199 revised as of

January 15, 2004, the rules will be consistent with current best practices and will enhance public safety which is in the best interest of all citizens in the State of Arizona.

8. The preliminary summary of the economic, small business, and consumer impact:

Small Business Subject to the Rules: These rules do not change the responsibilities of master meter operators already established in 1970 by the adoption by the Commission of the Code of Federal Regulations, Title 49, Parts 191 and 192.

The new rules will have no effect upon consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but, this will benefit consumers, users and the general public by maintaining a safe pipeline system.

The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. The rules do not impose additional standards. There is no less intrusive method.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Terry Fronterhouse, Chief, Office of Pipeline Safety

Address: Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Telephone Number: (602) 262-5601

Fax Number: (602) 262-5620

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: To be provided by the Commission Hearing Division pursuant to procedural order.

Time: To be provided by the Commission Hearing Division pursuant to procedural order.

Location: Commission Hearing Room, 1200 West Washington Street, Phoenix, Arizona

Nature: Public Comment Hearing (oral and written comments accepted)

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

Title 49, Code of Federal Regulations (CFR), Parts 40, 191, 192, except I (2) and (3) of Appendix D to Part 192, 193, 195 (except 195.1(b)(2) and (3)) and 199 revised as of January 15, 2004. These regulations cover the minimum safety standards for construction and operation of gas and hazardous liquid pipelines. These regulations may be found at the Arizona Corporation Commission, Office of Pipeline Safety, 2200 North Central, Suite 300, Phoenix, Arizona 85004. These regulations are incorporated by reference in the amended rules at: R14-5-202 B., E., J., K., O., P., R., S.; R14-5-203 B., and C.; R14-5-204 A.; and R14-5-205 B., G., I., J., O., P., and Q.

12. The full text of the rules follows:

NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND

ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 5. CORPORATION COMMISSION – TRANSPORTATION

ARTICLE 2. PIPELINE SAFETY

- R14-5-202. Construction and Safety Standards
- R14-5-203. Pipeline Incident Reports and Investigations
- R14-5-204. Annual Reports
- R14-5-205. Master Meter System Operators