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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

OCT 12 2011

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IN THE MATTER OF THE PROPOSED
AMENDMENTS TO THE PIPELINE
SAFETY RULES R14-5-201, R14-5-202,
R14-5-203, R14-5-0204 AND R14-5-205.

DOCKET NO. RG-00000A-11-0161

DECISION NO. 72622

ORDER

Open Meeting
October 11, 2011
Phoenix, Arizona

BY THE COMMISSION:

This matter is a rulemaking to update Article 2, "Pipeline Safety" in Arizona Administrative Code ("A.A.C.") Title 14, Chapter 5. On July 28, 2011, the Arizona Corporation Commission ("Commission") Pipeline Safety Section Staff ("Staff") forwarded a proposal to the Commission recommending that the Commission amend Pipeline Safety Rules A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205. The purpose of the proposed amendments is to update the Commission's Pipeline Safety Rules to incorporate the most recent amendments to the Code of Federal Regulations ("C.F.R."), Title 49, Parts 40, 191, 192, 193, 195, and 199.

On July 29, 2011, the Commission issued Decision No. 72503 which directed Staff to prepare and file with the Office of the Secretary of State by July 29, 2011, for publication in the *Arizona Administrative Register* no later than August 19, 2011 notice of the propose rulemaking. Likewise, Decision No. 72503 directed the scheduling of an oral public comment proceeding to be held on September 19, 2011 and established a deadline for written comments regarding the proposed rulemaking be filed in the docket by September 19, 2011.

1 Pursuant to Decision No. 72503, notice of the proposed rulemaking and notice of the public
2 hearing on the proposed rulemaking were published by the Arizona Secretary of State's office in
3 the August 19, 2011 edition of the *Arizona Administrative Register*. On September 19, 2011, the
4 public comment hearing was held before a duly authorized Administrative Law Judge of the
5 Commission at its offices in Phoenix, Arizona. Also in attendance was Commissioner Sandra
6 Kennedy. Senior Counsel Kyle Stephens from Southwest Gas Corporation ("SWG") and Staff
7 Attorney Charles Hains for Staff were in attendance at the proceeding. No other members of the
8 public attended the public comment hearing.

9 During the public comment hearing, Staff provided Mr. Robert Miller to explain the
10 proposed rule changes and answer any questions. Through its counsel, SWG voiced its support for
11 the adoption of the proposed rule amendments.

12 Counsel for Staff was asked whether the Commission was authorized to undertake the
13 proposed rule changes in light of state legislation instituting a moratorium on changing existing
14 rules or adopting new rules.¹ In response, Staff noted that the rulemaking moratorium includes
15 exceptions, including: (1) to replace archaic or illegal rules and (2) to promote health, peace, and
16 safety. Staff opined that, to the extent the proposed amendments update incorporations by
17 reference to federal regulations that have been superseded by more recent federal regulations the
18 amendments are updating obsolete rules. Likewise, because the rules are related to the regulation
19 of pipeline safety in the transportation of natural gas and other hazardous liquids by pipeline, the
20 rule updates improve public safety.

21 Written public comment was provided by Southwest Gas Corporation and by UNS Gas,
22 Inc. ("UNS"). In its comments, SWG noted that adoption of the rule amendments will "establish
23 consistency between the federal and state requirements, which will, in turn, assist Southwest Gas'
24 procedures and processes in ensuring compliance with pipeline safety regulations." Similarly,
25 UNS recommended adoption of the proposed amendments.

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28 ¹ Laws 2009, Chapter 7, § 28 (extended to fiscal 2011 by Laws 2010, Chapter 287, § 18).

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Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 28, 2011, Staff forwarded to the Commission proposed amendments to A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205 in order to update and incorporate the most recent version of the C.F.R., Title 49, Parts 40, 191, 192, 193, 195, and 199.

2. The purpose of the proposed amendments is to conform the Commission’s Pipeline Safety Rules to the most recent edition of the C.F.R. as required for the Commission’s Office of Pipeline Safety (“OPS”) acting on behalf of the Commission as an agent of the United States Department of Transportation’s Pipeline and Hazardous Materials Safety Administration.

3. Staff believes that the proposed amendments will be beneficial to the general public by maintaining the safe operation of pipeline facilities.

4. On July 29, 2011, the Commission issued Decision No. 72503 which directed that a proceeding be scheduled on the proposed amendments to the Rules for the purpose of taking public comment. The public comment proceeding was scheduled for September 19, 2011.

5. The amendment of the Rules will improve the safe operation of gas and hazardous liquid pipelines.

6. Pursuant to law, Notice of the Proposed Rulemaking and Notice of Hearing on Proposed Rulemaking were given on August 19, 2011 in the *Arizona Administrative Register*.

7. On September 19, 2011, Southwest Gas Corporation and UNS Gas Company both provided public comment recommending adoption of the proposed amendments to the Rules.

8. A summary of the comments that the Commission received on specific sections of the proposed Rules following their publication, including both technical and legal issues, and the Commission’s analysis and resolution of those comments, are included in the Summary of Comments and Response, which is attached hereto as Appendix B and incorporated herein by reference. Appendix B was prepared in accordance with A.R.S. § 41-1001(14)(b)(iii), and is to be included in the Preamble to be published with the Notice of Final Rulemaking.

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ORDER

IT IS THEREFORE ORDERED that the proposed amendments to A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205 as set forth in Appendix A, the Summary of Comments and Response as set forth in Appendix B, and the Economic, Small Business, and Consumer Impact Statement as set forth in Appendix C are hereby adopted.

IT IS FURTHER ORDERED that the Commission's Safety Division shall submit the amended Rules A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205 as set forth in Appendix A, the Summary of Comments and Response as set forth in Appendix B, and the Economic, Small Business, and Consumer Impact Statement as set forth in Appendix C to the Office of the Attorney General for certification.

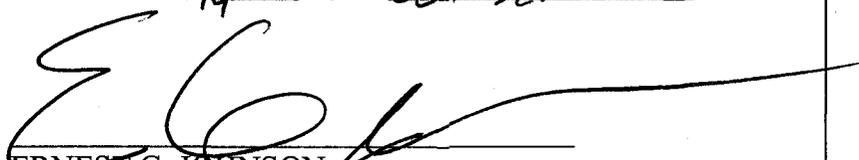
1 IT IS FURTHER ORDERED that the Commission's Safety Division is authorized to make
 2 non-substantive changes in the adopted rules A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-
 3 204, and R14-5-205, the Summary of Comments and Response, and the Economic, Small
 4 Business, and Consumer Impact Statement in response to comments received from the Attorney
 5 General's office during the approval process under A.R.S. § 41-1044 unless, after notification of
 6 those changes, the Commission requires otherwise.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
 10  CHAIRMAN  COMMISSIONER
 11
 12  COMMISSIONER  COMMISSIONER  COMMISSIONER
 13

14
 15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
 16 Executive Director of the Arizona Corporation Commission,
 17 have hereunto set my hand and caused the official seal of the
 18 Commission to be affixed at the Capitol, in the City of
 19 Phoenix, this 12 day of October, 2011.

18
 19 
 20 ERNEST G. JOHNSON
 21 EXECUTIVE DIRECTOR

22 DISSENT: _____

23 DISSENT: _____

24 SMO:REM:lh\CH
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1 SERVICE LIST FOR:
2 DOCKET NO. RG-00000A-11-0161

3
4 Mr. Steven Olea
5 Director, Utilities Division
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Ms. Janice M. Alward
10 Chief Counsel, Legal Division
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12 1200 West Washington Street
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14 Mr. Ernest G. Johnson
15 Executive Director
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

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21 1200 West Washington Street
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23 Robert Miller
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27 Phoenix, Arizona 85004

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Duncan, Arizona 85534

Mr. Dennis Lloyd
Manager, Compliance
El Paso Natural Gas Company
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Tucson, Arizona 85711

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| 2 | Mr. Steve Lines | Mr. Dan DiMiccio |
| 3 | General Manager | Vice President / General Manager |
| 4 | Graham County Utilities, Inc. | Nucor Steel Utah |
| | Post Office Drawer B | Post Office Box 100 |
| | Pima, Arizona 85543 | Plymouth, Utah 84330 |
| 5 | Mr. Frank McRae | Mr. Charlie Brooks |
| 6 | Director of Energy Resources | Plant Engineer |
| 7 | City of Mesa | Pimalco Aerospace Aluminum |
| | Post Office Box 1466 | 6833 West Willis Road |
| | Mesa, Arizona 85211-1466 | Box 5050 |
| | | Chandler, Arizona 85226 |
| 8 | Mr. Jay Howe | Pinal County Building Inspections |
| 9 | Director | Queen Creek, Magma Gas Area |
| 10 | City of Safford | Building Safety Division |
| | Post Office Box 272 | Post Office Box 827 |
| | Safford, Arizona 85548 | 31 North Pinal St. Bldg. D |
| | | Florence, Arizona 85232 |
| 11 | Mr. Nathan Shelly | Mr. Greg Merdick |
| 12 | General Manager | Cox Communication |
| 13 | Unisource Energy | Community Relations |
| | 1300 South Yale Street | 1550 W. Deer Valley Rd. |
| | Flagstaff, Arizona 86001 | Phoenix, Arizona 85027 |
| 14 | Mrs. Debra Gallo | Chris Dyrek |
| 15 | Manager Regulatory Affairs | Cable America |
| 16 | Southwest Gas Corporation | 4120 E. Valley Auto Dr. |
| | Post Office Box 98510 | Mesa, Arizona 85206 |
| | Las Vegas, Nevada 89193-8510 | |
| 17 | Mr. Jim Kane | Jones Intercable |
| 18 | President | Regulatory Division |
| 19 | Southwest Gas Corporation | 8251 North Cortaro Road |
| | Post Office Box 98510 | Tucson, Arizona 85743-9599 |
| | Las Vegas, Nevada 89193-8510 | |
| 20 | Mr. Pat McCourt | Tucson Electric Power |
| 21 | City Manager | Legal Department – DB203 |
| 22 | City of Willcox | 220 West 6 th Street |
| | 250 N. Railroad Avenue | Post Office Box 711 |
| | Willcox, Arizona 85643 | Tucson, Arizona 85072 |
| 23 | Mr. Greg Dahl | Mr. David Martin |
| 24 | Manager | Association of General Contractors |
| 25 | Applied LNG Technologies | 1825 West Adams |
| | 5499 Agoura Road, Suite 298 | Phoenix, Arizona 85007 |
| | Westlake Village, CA 91361 | |
| 26 | Mr. Doug Adams | Mr. Clark Tartar and Mr. Frank Harris |
| 27 | Plant Manger | Arizona Pipeline Company |
| 28 | Nucor Steel Kingman | 3111 West Lincoln Street |
| | 3000 Highway 66 South | Phoenix, Arizona 85009 |
| | Kingman, Arizona 86413 | |

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| 1 | Mr. Jim Gholson Northern Pipeline Construction Co. 3024 West Weldon Avenue Phoenix, Arizona 85017 | Ikard and Newsom 4359 US Hwy 64 Kirtland, New Mexico 87419 |
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| 3 | Mr. Walt Jones Henkles and McCoy, Inc. 21601 North 3 rd Avenue Phoenix, Arizona 85027-2907 | Mr. William Higgins Superintendent of Schools Tuba City Unified School District No. 15 Post Office Box 67 Tuba City, Arizona 86045 |
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| 5 | | |
| 6 | City of Mesa Building Inspections Post Office Box 1466 Mesa, Arizona 85211-1466 | Mr. Phil Priebe President Zapco Energy Tactics Corporation 1420 - D Church Street Bokemia, New York 11716 |
| 7 | | |
| 8 | ASARCO Incorporated c/o Webb Crockett, Esq. Fennemore Craig 3003 North Central Avenue, Suite 2600 Phoenix, Arizona 85012 | Mr. Steve Chasse Abbott RPD Manager Utility & Facility Manager Abbott Labs 1250 West Maricopa Highway Casa Grande, Arizona 85222 |
| 9 | | |
| 10 | The Arizona Utility Group c/o Kevin Kent Jim Lanto Chairman City of Mesa Post Office Box 1466 Mesa, Arizona 85211-1466 | Mr. Scott Vickers Manager, Compliance Calpine Pipeline Company 3779 Courtwright Road P.O. Box 5619 Mohave, Valley, Arizona 86440 |
| 11 | | |
| 12 | Mr. John H. Shorbe, Sr. Southern Arizona Home Builders Association 2840 North Country Club Road Tucson, Arizona 85716 | Mr. Justin B. Jessop Gas Department Supervisor Colorado City Gas Post Office Box 840809 Hildale, Utah 84784 |
| 13 | | |
| 14 | Mr. John Rueter Park Manager Canyon Valle Airpark 801 South State Route 64, Space 100 Williams, Arizona 86406 | Paul Lopez DOT Field Compliance El Paso Natural Gas Company Post Office Box 1087 Colorado Springs, Colorado 80904 |
| 15 | | |
| 16 | Mr. Bryan Jaconi Manager Havasus Springs Resprt 2581 Highway 95 Parker, Arizona 85344 | Mr. Rex Tendick Plant Manager Gila River, L.P. P.O. Box 798 Gila Bend, AZ 85337 |
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| 18 | Mr. Rus Brock Deputy Director HBACA 2111 East Highland, Suite 190 Phoenix, Arizona 85016 | Mr. Glen Carson Director Desert Gas Services 2510 O' Conner Ridge Blvd. Ste. 290 Irving, TX 75038 |
| 19 | | |
| 20 | Mr. Kenny Weickum Manager | |
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APPENDIX A

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION
CHAPTER 5. CORPORATION COMMISSION – TRANSPORTATION
ARTICLE 2. PIPELINE SAFETY**

Section

- 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

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 A.R.S. § 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 of ~~August 1, 2006~~ October 1, 2010 (and no future amendments), incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.
- 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, Pipeline and Hazardous Materials Safety 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)~~ MR0175, Standard Materials Requirements-Sulfide Stress Cracking Resistant Metallic Material for Oilfield Equipment, incorporated by reference and no future amendments. Copies are available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the NACE International, 1440 S. Creek Dr., Houston, TX 77084-4906.
 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 ~~Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004~~ American Petroleum Institute, 1200 L Street, NW, Washington, DC 2005-4070 and Techstreet, ~~777 E. Eisenhower Pkwy., Ann Arbor, MI 48108~~ <http://www.techstreet.com/>.
- 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 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.
- G. Operators of an intrastate distribution pipeline transporting 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 six 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 three 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 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, ~~August 1, 2006~~ October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004, and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954, 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, ~~August 1, 2006~~ October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004, and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954 .
- 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 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 natural gas, other gas or hazardous liquid, 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. Steel pipe shall be installed with bedding and shading, free of any debris or materials injurious to the pipe coating, unless otherwise protected and approved by the Office of Pipeline Safety.

- P. Operators of an intrastate pipeline transporting natural gas or other gas 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 and fittings shall be tested and marked CD, CE, CF or CG as required by ASTM D2513 (1995c Edition and no future editions), incorporated by reference, and copies available from ASTM International, 100 Barr Harbor Dr., P.O. Box C700, W. Conshohocken, PA 19428-2959, 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~~ 192.7. 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 copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ~~ASME, United Engineering Center, 345 E. 47th St., New York, NY 10017~~ ASME, Three Park Avenue, New York, NY 10016-5990. ("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 failed pipeline, where the cause of the failure is unknown, as the result of an incident that requires a telephonic or written incident report under R14-5-203(B) or (C), the operator shall retain the portion that was removed and shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this subsection shall include all of the following:
 - a. Identity of the failed pipeline,
 - b. Description and location of the failure,
 - c. Date and time of the removal,
 - d. Length or quantity of the removed portion,
 - e. Storage location of the removed portion,
 - f. 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.

An unknown failure is any failure where the cause of the failure is not observable external corrosion, third-party damage, natural or other outside forces, construction or material defect, equipment malfunction or incorrect operations; or is any failure where the Office of Pipeline Safety and the operator do not agree as to the cause of the failure.

2. Within 48 hours after telephonic notification pursuant to subsection (1), the Office of Pipeline Safety shall notify the operator that either:
 - 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; or
 - b. The Office of Pipeline Safety is not directing laboratory testing and the operator may discard the portion of the pipeline that was removed.

The Office of Pipeline Safety shall confirm its notification in writing.

3. If the Office of Pipeline Safety directs laboratory testing pursuant to subsection (2)(a):
 - a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to subsection (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 subsections (3)(a)(i) and (ii).
 - 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 20 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 30 days of the completion of the tests.
 - v. Pay for the laboratory testing.
4. In determining a laboratory pursuant to subsection (3)(a)(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 subsection before either of the following, whichever 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.
- T. All repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquids, natural gas or other gas will comply with the provisions of this Article.
- 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.
- 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.
- 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 will notify by telephone the Office of Pipeline Safety immediately 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 immediately 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~~ 2010 revision and no future revisions), incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 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 this subsection.
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 one 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. PHMSA F7100.1 - Distribution System: Incident Report, (~~March, 2004~~ January, 2010 Revision and no future revisions) incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004.
 - b. PHMSA F7100.2 - Transmission and Gathering System: Incident Report, (~~January, 2002~~ 2010 Revision and no future revisions) incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 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 PHMSA F 7000-1, (~~January 2001~~ 2010 Revision and no future revisions), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 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 one 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~~ 2010 revision and no future revisions), incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 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 electronically with the ~~Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, Rm. 7128, 400 Seventh St., S.W., U.S. Department of Transportation,~~ at <http://opsweb.phmsa.dot.gov/> or submit a written request for an alternative reporting method to the Information Resource Manager, office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, PHP-20 1200 New Jersey Avenue, SE, 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, all other~~ All 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. PHMSA F 7000-1.1 (~~April 2006~~ June 2011 Edition and no future editions) – “Annual Report for calendar year 20___, hazardous liquid or carbon dioxide systems” and “Instructions for completing PHMSA F 7000-1.1 (Rev. ~~04-2006-01-2011~~), Annual Report for calendar year 20___ hazardous liquid or carbon dioxide systems,” incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ~~Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, at~~ http://opsweb.phmsa.dot.gov/. ~~U.S. Department of Transportation, Rm. 7128 400 Seventh St., S.W., Washington, DC 20590.~~
2. PHMSA F7100.1-1 (~~December 2005~~ January 2011 Edition and no future editions) - “Annual Report for Calendar Year 20___, Gas Distribution System” and “Instructions for Completing PHMSA Form F7100.1-1, Annual Report for Calendar Year 20___, Gas Distribution System,” incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ~~Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, at~~ http://opsweb.phmsa.dot.gov/ ~~U.S. Department of Transportation, Rm. 7128, 400 Seventh St., S.W., Washington, D.C. 20590.~~
3. PHMSA F7100.2-1 (~~December 2005~~ June 2011 Edition and no future editions) - “Annual Report for Calendar Year 20___, Gas Transmission and Gathering Systems” and “Instructions for Completing Form PHMSA F7100.2-1 (Rev. 12-2005), Annual Report for Calendar Year 20___, Gas Transmission and Gathering Systems,” incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ~~Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety~~

Administration, at <http://opsweb.phmsa.dot.gov/>. U.S. Department of Transportation, Rm. 7128, 400 Seventh St., S.W., Washington, D.C. 20590.

4. PHMSA F7100.31 (November 2010 Edition and no future editions) – “Annual Report for Calendar Year 20__ , Liquefied Natural Gas (LNG) Facilities.; and “Instructions for Completing Form F7100.3-1 (10-2010), Annual Report for Calendar Year 20__ , Liquefied Natural Gas (LNG) Facilities.” incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Avenue, Suite 300, Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>.

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, Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>. U.S. Department of Transportation, Rm. 7128, 400 Seventh St., 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 ~~August 1, 2006~~ October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.

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~~ appears.
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,~~ Pipeline and Hazardous Materials Safety 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, ~~August 1, 2006~~ October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.
- 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. Steel pipe shall be installed with bedding and shading, free of any debris or materials injurious to the pipe coating, 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 and fittings shall be marked CD, CE, CF or CG as required by ASTM D2513 (1995c Edition and no future editions), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and ASTM International, 100 Barr Harbor Dr., P.O. Box C700, W. Conshohocken, PA 19428-2959, 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~~ 192.7.
- 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, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ~~ASME, United Engineering Center, 345 E. 47th St., New York, NY 10017~~ ASME, Three Park Avenue, New York, NY 10016-5990. ("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, other gas or hazardous liquid pipeline removes a portion of a failed pipeline, where the cause of the failure is unknown, as the result of an incident that requires a telephonic or written incident report under R14-5-203(B) or (C), the operator shall retain the portion that was removed and shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this subsection shall include all of the following:
 - a. Identity of the failed pipeline;
 - b. Description and location of the failure;
 - c. Date and time of the removal;
 - d. Length or quantity of the removed portion;
 - e. Storage location of the removed portion;
 - f. 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.

An unknown failure is any failure where the cause of the failure is not observable external corrosion, third-party damage, natural or other outside forces, construction or material defect, equipment malfunction or incorrect operations; or is any failure where the Office of Pipeline Safety and the operator do not agree as to the cause of the failure.

2. Within 48 hours after telephonic notification pursuant to subsection (1), the Office of Pipeline Safety shall notify the operator that either:
 - 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.

The Office of Pipeline Safety shall confirm its notification in writing.

3. If the Office of Pipeline Safety directs laboratory testing pursuant to subsection (2)(a):
 - a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to subsection (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 subsections (3)(a)(i) and (ii).
 - 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 20 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 30 days of the completion of the tests.
 - v. Pay for the laboratory testing.
4. In determining a laboratory pursuant to subsection (3)(a)(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 subsection before either of the following, whichever 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.
- 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)~~ MM-04 (Latest revision), "Annual Report for Calendar Year 20___, Small Operators of Gas Distribution System," incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004. This report will be filed with the Office of Pipeline Safety not later than April 15 for the preceding calendar year.
- 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.
- 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.
- T. All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

APPENDIX B

MEMORANDUM

TO: Docket Control Center

FROM: Steven M. Olea
Interim Director
Safety Division

EA for SMD

DATE: October 3, 2011

RE: IN THE MATTER OF THE PROPOSED AMENDMENTS TO THE PIPELINE SAFETY RULES R14-5-201, R14-5-202, R14-5-203, R14-5-0204 AND R14-5-205.

DOCKET NO. RG-00000A-11-0161

On July 29, 2011, in Decision No. 72503, the Commission approved the Notice of Proposed Rulemaking to amend Arizona Administrative Code (“A.A.C.”) R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205 of the Pipeline Safety Rules. The recommended amendments would:

- Update the rules by incorporating 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), (3) and (4)) and 199 revised as of October 1, 2010. R14-5-202(B), (J), (K), R14-5-205(B).
- Change the address for the “Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, Rm. 7128, 400 Seventh St., S. W., U.S. Department of Transportation Washington, D.C. 20590” to “the Pipeline and Hazardous Materials Safety Administration at <http://opsweb.phmsa.dot.gov/> or submit a written request for an alternative reporting method to “The Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, U. S. Department of Transportation, PHP-20, 1200 New Jersey Ave. SE., Washington, DC 20590. R14-5-203(C)(5).
- Modify the location of Techstreet from “777 E. Eisenhower Pkwy, Ann Arbor, MI 48108” to “<http://www.techstreet.com>” and replaced the reference to “Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix AZ 85004” with “American Petroleum Institute, 1220 L. Street, NW, Washington, DC 20005-4070” R14-5-202(E)(2).
- Update the location of the ASME to Three Park Ave., New York, NY 10016-5990. R14-5-202(R), R14-5-205(O).

- Change the address for all PHMSA annual reports from “The Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, U. S. Department of Transportation, Rm 7128, 400 Seventh St., S. W. Washington, D.C. 20590 to “the Pipeline and Hazardous Materials Safety Administration at <http://opsweb.phmsa.dot.gov/>”. R14-5-204(A)(1), (A)(2), (A)(3), (B).
- Update the revision date for the conditions for telephonic and written reporting of a release of hazardous liquid resulting from a pipeline maintenance activity from “(1994 revision and no future revisions)” to “(2010 revision and no future revisions)”. R14-5-203(B)(2)(f)(ii), (C)(3)(c)(ii).
- Update written incident reporting form revision dates to January, 2010. R14-5-203(C)(2)(a), (C)(2)(b), (C)(3).
- Update the PHMSA annual report form and instructions for hazardous liquid or carbon dioxide systems to the January 2011 edition. R14-5-204(A)(1).
- Update the PHMSA annual report form and instructions for Gas Distribution Systems and Gas Transmission and Gathering Systems to the June 2011 edition. R14-5-204(A2), (A3).
- Add PHMSA F7100.3-1 (November 2010 Edition and no future editions) – “Annual Report for Calendar 20__, Liquefied Natural Gas (LNG) Facilities,” and instructions for completing Form F7100.3-1 (10-2011), Annual Report for Calendar Year 20__, Liquefied Natural Gas (LNG) Facilities,” incorporated by reference and copies available from the Office of Pipeline Safety , 2200 N. Central Ave., Ste. 300 Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration at <http://opsweb.phmsa.dot.gov/>. R14-5-204(A4).
- Update master meter annual report form to MM-04 (Latest revision). R14-5-205(Q).

Decision No. 72503 ordered that interested persons are requested to provide comments concerning the Notice of Proposed Rulemaking with the Commission’s Docket Control by September 19, 2011. Additionally, Decision No. 72503 ordered that an oral proceeding to take public comment be held on September 19, 2011. Finally, Decision No. 72503 ordered Commission Safety Section Staff to, on or before October 3, 2011, file with the Commission’s Docket Control a Staff Memorandum including (1) a summary of any written comments that were filed by interested persons between the effective date of this Decision and September 19, 2011, (2) a summary of any oral comments provided at the oral proceeding in this matter, and (3) the Safety Section Staff’s response to those comments.

Written comments were received from UNS Gas, Inc. (“UNS Gas”) and Southwest Gas Corporation (“SWG”). SWG also provided verbal comments at the public comment hearing. UNS Gas’ comments were supportive of the proposed changes. SWG indicated in its written comments that it supported the changes and that the changes would “establish consistency

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between the federal and state requirements, which will, in turn, assist Southwest Gas' procedures and processes in ensuring compliance with pipeline safety regulations." Likewise, in its public comments provided at the September 19, 2011 oral proceeding, SWG indicated its support for the adoption of the proposed amendments. There were no other comments received from any other person. Because all the comments that were provided expressed support for the proposed amendments and no changes were proposed or recommended, Staff has no responses to provide.

Originator: Robert Miller

APPENDIX C

ECONOMIC IMPACT STATEMENT
PER A.R.S. § 41-1055

- 1. BRIEF DESCRIPTION:** These amendments will amend already existing rules (R14-5-201, R14-5-202, R14-5-203, R-14-5-204 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 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)(3) and (4)) and 199 revised as of October 1, 2010.

- 2. NEED:** The Commission’s Pipeline Safety Section, through its participation in the Federal Department of Transportation pipeline safety program, receives an annual grant from the Pipeline and Hazardous Materials Safety Administration’s Federal Office to offset the Pipeline Safety Section’s operational cost. Additionally, the Pipeline Safety Section has been granted agent status allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status and to continue to receive grant monies 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 incorporation 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.

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 no impact on master meter system operators if they are already complying with current Federal Pipeline Safety Regulations.
- B. There will be no direct impact of the State rule changes. Indirectly, however, the change in federal regulations will have a minimal to moderate impact on operators of natural gas or other gas systems if they are already complying with current Federal Pipeline Safety Regulations.
- C. There will be no impact on operators of hazardous liquid pipelines if they are already complying with current Federal Pipeline Safety Regulations.

5. COST AND BENEFITS TO THE AGENCY: The proposed amendments to the existing rules will have a minimal cost effect on the Commission and will have no impact on other state agencies. The Commission will benefit by maintaining agent status for purposes of enforcing Federal Pipeline Safety Standards by staying current with the standards. The Commission believes that by amending the existing rules, 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.

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 cost impact if they are already complying with the Federal Pipeline Safety Regulations.
7. **COST AND BENEFITS TO PRIVATE PERSONS:** The proposed amendments to the existing rules will have no cost effect upon private persons or users of the gas service provided by regulated public utilities as the public utilities presently are required to be in compliance with all standards. However, this will benefit consumers, users, and the general public by enhancing the safe operation and maintenance of pipeline systems.
8. **COST AND BENEFITS TO CONSUMERS OR USERS OF ANY PRODUCT OR SERVICE IN THE IMPLEMENTATION OF THE NEW RULES:** The proposed amendments to the existing rules should have a minimal cost impact on consumers or users of the gas service provided by regulated public utilities. The new regulations will benefit consumers, users and the general public by enhancing the safe operation and maintenance of pipeline systems.
9. **LESS COSTLY OR INTRUSIVE METHODS:** The amendments to the rules are the least costly method for obtaining compliance with the minimum safety standards. There is no less intrusive method.

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