OPEN MEETING ITEM

0000130245

ORIGINAL

RECEIVED

2011 OCT -3 P 2:43

AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE PROPOSED AMENDMENTS TO THE PIPELINE SAFETY RULES R14-5-201, R14-5-202, R14-5-203, R14-5-204, AND R14-5-205	DOCKET NO. RG-00000A-11-0161 **STAFF'S NOTICE OF FILING PROPOSED ORDER**

The Arizona Corporation Commission Staff hereby files the attached Proposed Order, Proposed Amended Pipeline Safety Rules, Staff's Summary of Comments and the Economic Small Business and Consumer Impact Statement.

The enclosed is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at the Phoenix address listed below by 4:00 p.m. on or before October 11, 2011.

Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting on October 11, 2011.

RESPECTFULLY SUBMITTED this 3rd day of October, 2011.

Arizona Corporation Commission
DOCKETED
OCT 3 2011
DOCKETED BY

By _____

Charles Hains
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
(602) 542-3402

Original and 13 copies filed
Docket Control on October 3, 2011.

Rosann Osorio

SERVICE LIST FOR:
DOCKET NO. RG-00000A-11-0161

Mr. Steven Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Executive Director
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Robert Miller
Arizona Corporation Commission
Safety Division
2200 N. Central Avenue, Suite 300
Phoenix, Arizona 85004

Mr. Charles G. Taylor, Jr., President & CEO
Local Gateway Exchange, Inc.
700 North Pearl, Suite 200
Dallas, Texas 75201

Ms. Connie Wightman
Technologies Management, Inc.
210 North Park Avenue
Winter Park, Florida 32789

Mr. Frank Perkins
Plant Manager
Arizona Public Service Company
Post Office Box 53999
Mail Station 4120
Phoenix, Arizona 85072-3999

Mr. Glenn Nichols
City Manager
City of Benson
160 South Huachuca
Benson, Arizona 85602

Dindy Bird
SemStream Arizona Propane
2000 East Frontage Road
Post Office Box 3025
Page, Arizona 86040

Mr. Doug Mann
President
SemStream Arizona Propane
200 West Longhorn Road
Payson, Arizona 85541

Mr. Wayne Liles
Facilities Supervisor
Plains LPG Services, L.P.
14702 West Olive Avenue
Waddell, Arizona 85355

Mr. Nick Martinez
Utilities Supervisor
Copper Market Incorporated
Post Office Box 245
Bagdad, Arizona 86321

Mr. Jim Vescio
Station Manager
Swissport Fueling Inc.
4200 East Airlane Drive
Phoenix, Arizona 85034

Mr. Mike Pearce
General Manager
Duncan Rural Service Cooperative
Post Office Box 440
379597 AZ HWY 75
Duncan, Arizona 85534

Mr. Dennis Lloyd
Manager, Compliance
El Paso Natural Gas Company
5151 East Broadway, Suite 1680
Tucson, Arizona 85711

Mr. Steve Lines
General Manager
Graham County Utilities, Inc.
Post Office Drawer B
Pima, Arizona 85543

Mr. Frank McRae
Director of Energy Resources
City of Mesa
Post Office Box 1466
Mesa, Arizona 85211-1466

Mr. Jay Howe
Director
City of Safford
Post Office Box 272
Safford, Arizona 85548

Mr. Nathan Shelly
General Manager
Unisource Energy
1300 South Yale Street
Flagstaff, Arizona 86001

Mrs. Debra Gallo
Manager Regulatory Affairs
Southwest Gas Corporation
Post Office Box 98510
Las Vegas, Nevada 89193-8510

Mr. Jim Kane
President
Southwest Gas Corporation
Post Office Box 98510
Las Vegas, Nevada 89193-8510

Mr. Pat McCourt
City Manager
City of Willcox
250 N. Railroad Avenue
Willcox, Arizona 85643

Mr. Greg Dahl
Manager
Applied LNG Technologies
5499 Agoura Road, Suite 298
Westlake Village, CA 91361

Mr. Doug Adams
Plant Manger
Nucor Steel Kingman
3000 Highway 66 South
Kingman, Arizona 86413

Mr. Dan DiMiccio
Vice President / General Manager
Nucor Steel Utah
Post Office Box 100
Plymouth, Utah 84330

Mr. Charlie Brooks
Plant Engineer
Pimalco Aerospace Aluminum
6833 West Willis Road
Box 5050
Chandler, Arizona 85226

Pinal County Building Inspections
Queen Creek, Magma Gas Area
Building Safety Division
Post Office Box 827
31 North Pinal St. Bldg. D
Florence, Arizona 85232

Mr. Greg Merdick
Cox Communication
Community Relations
1550 W. Deer Valley Rd.
Phoenix, Arizona 85027

Chris Dyrek
Cable America
4120 E. Valley Auto Dr.
Mesa, Arizona 85206

Jones Intercable
Regulatory Division
8251 North Cortaro Road
Tucson, Arizona 85743-9599

Tucson Electric Power
Legal Department – DB203
220 West 6th Street
Post Office Box 711
Tucson, Arizona 85072

Mr. David Martin
Association of General Contractors
1825 West Adams
Phoenix, Arizona 85007

Mr. Clark Tartar and Mr. Frank Harris
Arizona Pipeline Company
3111 West Lincoln Street
Phoenix, Arizona 85009

Mr. Jim Gholson
Northern Pipeline Construction Co.
3024 West Weldon Avenue
Phoenix, Arizona 85017

Mr. Walt Jones
Henkles and McCoy, Inc.
21601 North 3rd Avenue
Phoenix, Arizona 85027-2907

City of Mesa
Building Inspections
Post Office Box 1466
Mesa, Arizona 85211-1466

ASARCO Incorporated
c/o Webb Crockett, Esq.
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

The Arizona Utility Group
c/o Kevin Kent
Jim Lanto
Chairman
City of Mesa
Post Office Box 1466
Mesa, Arizona 85211-1466

Mr. John H. Shorbe, Sr.
Southern Arizona Home Builders
Association
2840 North Country Club Road
Tucson, Arizona 85716

Mr. John Rueter
Park Manager
Canyon Valle Airpark
801 South State Route 64, Space 100
Williams, Arizona 86406

Mr. Bryan Jaconi
Manager
Havasu Springs Resprt
2581 Highway 95
Parker, Arizona 85344

Mr. Rus Brock
Deputy Director
HBACA
2111 East Highland, Suite 190
Phoenix, Arizona 85016

Mr. Kenny Weickum
Manager
Ikard and Newsom
4359 US Hwy 64
Kirtland, New Mexico 87419

Mr. William Higgins
Superintendent of Schools
Tuba City Unified School District No. 15
Post Office Box 67
Tuba City, Arizona 86045

Mr. Phil Priebe
President
Zapco Energy Tactics Corporation
1420 – D Church Street
Bokemia, New York 11716

Mr. Steve Chasse
Abbott RPD Manager
Utility & Facility Manager
Abbott Labs
1250 West Maricopa Highway
Casa Grande, Arizona 85222

Mr. Scott Vickers
Manager, Compliance
Calpine Pipeline Company
3779 Courtwright Road
P.O. Box 5619
Mohave, Valley, Arizona 86440

Mr. Justin B. Jessop
Gas Department Supervisor
Colorado City Gas
Post Office Box 840809
Hildale, Utah 84784

Paul Lopez
DOT Field Compliance
El Paso Natural Gas Company
Post Office Box 1087
Colorado Springs, Colorado 80904

Mr. Rex Tendick
Plant Manager
Gila River, L.P.
P.O. Box 798
Gila Bend, AZ 85337

Mr. Glen Carson
Director
Desert Gas Services
2510 O' Conner Ridge Blvd. Ste. 290
Irving, TX 75038

BEFORE THE ARIZONA CORPORATION COMMISSION

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

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. _____ **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.

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

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

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

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

---

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

* * * * * * * * * *

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.

9. Staff, in responding to questions at the public comment proceeding, indicated that it believes that the rulemaking is permitted despite a state legislative moratorium on rulemaking. Staff believes that the proposed amendments eliminate obsolete rule references and improve public safety. Therefore, Staff contends that the proposed rulemaking qualifies for two of the exceptions to the moratorium for (1) elimination of archaic or illegal rules, and (2) to address safety, peace and health of the public.

10. The Commission did not receive any other written or oral comments with respect to the proposed amendment of its Rules.

11. The text of the proposed Rules is set forth in Appendix A, attached hereto and incorporated herein by reference.

12. There are no changes to the proposed Rules as they were published in the Notice of Proposed Rulemaking and so no Notice of Supplemental Rulemaking is required.

13. The Economic, Small Business and Consumer Impact Statement is set forth in Appendix C, attached hereto and incorporated herein by reference.

CONCLUSIONS OF LAW

1. Pursuant to Article XV, Sections 2 and 3 of the Arizona Constitution and A.R.S. §§ 40-202, 40-203, 40-321 and 40-441, *et seq.*, the Commission has jurisdiction to adopt the proposed amendments to A.A.C. R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205.

2. Notice of the public comment proceeding was given in the manner prescribed by law.

3. The proposed Rules, as set forth in Appendix A, contain no substantial changes from the proposed Rules published in the Notice of Proposed Rulemaking.

4. Adoption of the proposed amendments to the Rules as set forth in Appendix A is in the public interest.

5. There have been no objections to the above-described Rules.

6. The Summary of Comments and Response set forth in Appendix B and the Economic, Small Business and Consumer Impact Statement as set forth in Appendix C should be adopted.

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.

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

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director 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 _____day of _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:REM:lhm\CH

SERVICE LIST FOR:
DOCKET NO. RG-00000A-11-0161

Mr. Steven Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Executive Director
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Robert Miller
Arizona Corporation Commission
Safety Division
2200 N. Central Avenue, Suite 300
Phoenix, Arizona 85004

Mr. Charles G. Taylor, Jr., President & CEO
Local Gateway Exchange, Inc.
700 North Pearl, Suite 200
Dallas, Texas 75201

Ms. Connie Wightman
Technologies Management, Inc.
210 North Park Avenue
Winter Park, Florida 32789

Mr. Frank Perkins
Plant Manager
Arizona Public Service Company
Post Office Box 53999
Mail Station 4120
Phoenix, Arizona 85072-3999

Mr. Glenn Nichols
City Manager
City of Benson
160 South Huachuca
Benson, Arizona 85602

Dindy Bird
SemStream Arizona Propane
2000 East Frontage Road
Post Office Box 3025
Page, Arizona 86040

Mr. Doug Mann
President
SemStream Arizona Propane
200 West Longhorn Road
Payson, Arizona 85541

Mr. Wayne Liles
Facilities Supervisor
Plains LPG Services, L.P.
14702 West Olive Avenue
Waddell, Arizona 85355

Mr. Nick Martinez
Utilities Supervisor
Copper Market Incorporated
Post Office Box 245
Bagdad, Arizona 86321

Mr. Jim Vescio
Station Manager
Swissport Fueling Inc.
4200 East Airlane Drive
Phoenix, Arizona 85034

Mr. Mike Pearce
General Manager
Duncan Rural Service Cooperative
Post Office Box 440
379597 AZ HWY 75
Duncan, Arizona 85534

Mr. Dennis Lloyd
Manager, Compliance
El Paso Natural Gas Company
5151 East Broadway, Suite 1680
Tucson, Arizona 85711

Mr. Steve Lines
General Manager
Graham County Utilities, Inc.
Post Office Drawer B
Pima, Arizona 85543

Mr. Frank McRae
Director of Energy Resources
City of Mesa
Post Office Box 1466
Mesa, Arizona 85211-1466

Mr. Jay Howe
Director
City of Safford
Post Office Box 272
Safford, Arizona 85548

Mr. Nathan Shelly
General Manager
Unisource Energy
1300 South Yale Street
Flagstaff, Arizona 86001

Mrs. Debra Gallo
Manager Regulatory Affairs
Southwest Gas Corporation
Post Office Box 98510
Las Vegas, Nevada 89193-8510

Mr. Jim Kane
President
Southwest Gas Corporation
Post Office Box 98510
Las Vegas, Nevada 89193-8510

Mr. Pat McCourt
City Manager
City of Willcox
250 N. Railroad Avenue
Willcox, Arizona 85643

Mr. Greg Dahl
Manager
Applied LNG Technologies
5499 Agoura Road, Suite 298
Westlake Village, CA 91361

Mr. Doug Adams
Plant Manger
Nucor Steel Kingman
3000 Highway 66 South
Kingman, Arizona 86413

Mr. Dan DiMiccio
Vice President / General Manager
Nucor Steel Utah
Post Office Box 100
Plymouth, Utah 84330

Mr. Charlie Brooks
Plant Engineer
Pimalco Aerospace Aluminum
6833 West Willis Road
Box 5050
Chandler, Arizona 85226

Pinal County Building Inspections
Queen Creek, Magma Gas Area
Building Safety Division
Post Office Box 827
31 North Pinal St. Bldg. D
Florence, Arizona 85232

Mr. Greg Merdick
Cox Communication
Community Relations
1550 W. Deer Valley Rd.
Phoenix, Arizona 85027

Chris Dyrek
Cable America
4120 E. Valley Auto Dr.
Mesa, Arizona 85206

Jones Intercable
Regulatory Division
8251 North Cortaro Road
Tucson, Arizona 85743-9599

Tucson Electric Power
Legal Department – DB203
220 West 6th Street
Post Office Box 711
Tucson, Arizona 85072

Mr. David Martin
Association of General Contractors
1825 West Adams
Phoenix, Arizona 85007

Mr. Clark Tartar and Mr. Frank Harris
Arizona Pipeline Company
3111 West Lincoln Street
Phoenix, Arizona 85009

Mr. Jim Gholson
Northern Pipeline Construction Co.
3024 West Weldon Avenue
Phoenix, Arizona 85017

Mr. Walt Jones
Henkles and McCoy, Inc.
21601 North 3rd Avenue
Phoenix, Arizona 85027-2907

City of Mesa
Building Inspections
Post Office Box 1466
Mesa, Arizona 85211-1466

ASARCO Incorporated
c/o Webb Crockett, Esq.
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

The Arizona Utility Group
c/o Kevin Kent
Jim Lanto
Chairman
City of Mesa
Post Office Box 1466
Mesa, Arizona 85211-1466

Mr. John H. Shorbe, Sr.
Southern Arizona Home Builders Association
2840 North Country Club Road
Tucson, Arizona 85716

Mr. John Rueter
Park Manager
Canyon Valle Airpark
801 South State Route 64, Space 100
Williams, Arizona 86406

Mr. Bryan Jaconi
Manager
Havasu Springs Resprt
2581 Highway 95
Parker, Arizona 85344

Mr. Rus Brock
Deputy Director
HBACA
2111 East Highland, Suite 190
Phoenix, Arizona 85016

Mr. Kenny Weickum
Manager
Ikard and Newsom
4359 US Hwy 64
Kirtland, New Mexico 87419

Mr. William Higgins
Superintendent of Schools
Tuba City Unified School District No. 15
Post Office Box 67
Tuba City, Arizona 86045

Mr. Phil Priebe
President
Zapco Energy Tactics Corporation
1420 – D Church Street
Bokemia, New York 11716

Mr. Steve Chasse
Abbott RPD Manager
Utility & Facility Manager
Abbott Labs
1250 West Maricopa Highway
Casa Grande, Arizona 85222

Mr. Scott Vickers
Manager, Compliance
Calpine Pipeline Company
3779 Courtwright Road
P.O. Box 5619
Mohave, Valley, Arizona 86440

Mr. Justin B. Jessop
Gas Department Supervisor
Colorado City Gas
Post Office Box 840809
Hildale, Utah 84784

Paul Lopez
DOT Field Compliance
El Paso Natural Gas Company
Post Office Box 1087
Colorado Springs, Colorado 80904

Mr. Rex Tendick
Plant Manager
Gila River, L.P.
P.O. Box 798
Gila Bend, AZ 85337

Mr. Glen Carson
Director
Desert Gas Services
2510 O' Conner Ridge Blvd. Ste. 290
Irving, TX 75038

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 (H_2S). 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 Acrylonitrite-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 EA for SMD
Interim Director
Safety Division

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

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.