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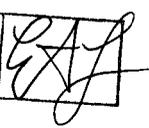
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Exhibit #: DG1, 51-53

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF COMMISSION PIPELINE
SAFETY SECTION STAFF'S COMPLAINT
AGAINST DESERT GAS, LP FOR VIOLATIONS
OF COMMISSION RULES

DOCKET NO. G-20923A-15-0030

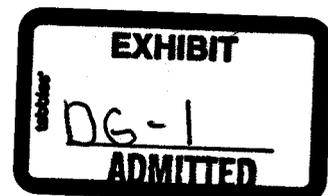
Direct Testimony of

Raymond R. Latchem

on Behalf of

Desert Gas, LP

July 22, 2015



1 **Q. Please state your name and address.**

2 A. My name is Raymond R. Latchem and my business address is 1709 Utica Square, Suite
3 #240, Tulsa, Oklahoma 74114.

4
5 **Q. With whom are you employed and in what capacity?**

6 A. I am the President of Spectrum LNG, LLC, parent company of Desert Gas, LP.
7

8 **Q. Please describe your professional background.**

9 A. I studied mechanical engineering at Louisiana State University and I have been involved
10 with the energy industry since 1977, including with specific experiences constructing and
11 operating natural gas facilities, including LNG plants. In 1985, I formed Norgasco, Inc. to
12 develop the local gas distribution company for the Prudhoe Bay/Deadhorse, Alaska area,
13 which is home to many oilfield support contractors. Before that, I worked in a variety of
14 positions in Alaska's North Slope oilfields.

15
16 In 1992, I formed Northern Eclipse, Inc. and later its regulated subsidiary Fairbanks
17 Natural Gas, LLC, which is the local gas distribution company that serves Alaska's largest
18 interior city. In order to secure the utility certificate for the Fairbanks market, I led the
19 development of an innovative small scale liquefied natural gas ("LNG") plant. Today that
20 plant produces as much as 48,000 gallons per day of LNG. In addition to supplying LNG
21 to Fairbanks, Northern Eclipse installed another satellite unit at a hotel complex in
22 Talkeetna, Alaska under a long-term contract with the hotel owner.

23
24 I then formed Spectrum Energy Services, LLC, (the parent company of Spectrum LNG) in
25 2000 to pursue innovative developments dealing with LNG. These include the Integrated
26 Satellite Unit that is designed for base loading or peak shaving gas supply and a 100-
27 million cubic-foot-per day LNG-production unit for offshore Calabar, Nigeria.
28

1 Q. On whose behalf are you testifying in the proceeding?
2 A. Desert Gas, LP, which I will refer to as "DG" or the "Company."

3
4 Q. Please describe the Company, in general.

5 A. DG owns and operates a small scale LNG production facility in Ehrenberg, Arizona.
6

7 Q. Please describe DG's facilities in Ehrenberg, Arizona.

8 A. DG operates a cryogenic natural gas liquefaction facility (the "Facility") located in the
9 vicinity of Ehrenberg, Arizona. Also within the vicinity is an interstate natural gas
10 pipeline crossing the Colorado River approximately one half mile west of the facility, as
11 well as a major truck stop, restaurant and motel within a half mile of the Facility. The
12 Facility is automated and designed to take natural gas from the TransCanada North Baja
13 Pipeline, remove contaminants, and compress and refrigerate the natural gas until it is a
14 cryogenic liquid. The resulting LNG is stored at low pressure and temperature on site for
15 transport by trucks operated by Clean Energy Fuels Corporation ("CEF"). Each CEF
16 truck has the capacity to carry approximately 9,500 gallons of LNG. The facility has the
17 capacity to store up to 104,000 gallons of LNG on site. Upon vaporization, the 104,000
18 gallons approximates to 8,590,000 cubic feet of natural gas. The Facility has a security
19 fence that prevents unauthorized persons from entering it. The Facility was also designed
20 with calculated vapor dispersion and thermal radiation "exclusion zones", which ensure
21 that the public is a safe distance away from the Facility, if an incident occurs. Those
22 exclusion zones are calculated in accordance with federal regulations.
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- 1 Q. Were these facilities inspected by Arizona Corporation Commission Pipeline Safety
2 Staff (“ACC Staff”) in 2014?
- 3 A. Yes, they were inspected on August 25 through August 29, 2014. My understanding is
4 that Staff conducts an annual safety compliance audit of this facility as part of its pipeline
5 safety responsibilities.
- 6
- 7 Q. What is your understanding of the circumstances that gave rise to the complaint
8 filed by ACC Staff?
- 9 A. I was not physically present for the audit, but I understand from those that report to me
10 that during the audit performed by Staff investigators, Staff inquired about the new
11 methane compressor and associated pipeline that DG installed recently. We confirmed
12 that the new methane compressor and pipeline went into continuous service on July 28,
13 2014. Staff then asked for records regarding qualified welding procedures and individual
14 welders’ qualification records. The circumstances surrounding the welds performed gave
15 rise to the complaint filed by Staff earlier this year.
- 16
- 17 Q. Did the Company provide documentation to Staff?
- 18 A. Yes, on September 29, 2014, we provided Staff with documentation addressing the
19 welding procedures, welding qualification records, nondestructive testing of welds and
20 qualification records of the individuals who conducted the nondestructive testing. We
21 explained that DG’s original contractor did have qualified procedures, but that those
22 records did not belong to DG. The welders had been formerly employed by the original
23 contractor and had been trained under the qualified procedures with the original
24 contractor; but these welders had then quit their employer and formed their own
25 independent company (the “new contractor”). We also indicated to Staff at that time we
26 had relied upon the statements from the new contractor that that it was fully qualified and
27 possessed the required procedures.
- 28

- 1 **Q. Please describe the welds that were performed by the new contractor?**
- 2 A. The Settlement Agreement describes the issues with the weld, but to put it simply, the
3 welds performed were not to the satisfaction of DG. In response to the concerns from
4 Staff, DG performed 26 nondestructive tests; in all instances of rejected welds detected by
5 the nondestructive testing it has performed re-welds to produce adequate welds. DG and I
6 were disappointed about the welding work that was done by the welders under the
7 supervision of the new contractor, understood the need for us to take action, and
8 undertook appropriate actions to address the rejected welds. DG has further performed
9 nondestructive testing of all remaining welds since the filing of the Staff Complaint and
10 we re-welded each rejected weld to a satisfactory level. All rejected welds were repaired
11 and retested and found to be satisfactory. We have completed nondestructive x-ray testing
12 of 100% of the welds in question, and verified that all of the welds in question meet or
13 exceed the American Society of Mechanical Engineers (ASME) Code standard B31.3, and
14 that the welds in question met the ASME Code prior to the piping being returned to
15 service. We recognized the need to repair those welds and we have repaired all of welds
16 identified to be faulty at the Facility. These are some of the steps taken to ensure that the
17 operations at the Facility are safe.
- 18
- 19 **Q. Are you authorized to enter into the Settlement Agreement for DG?**
- 20 A. Yes, as the Company's President, I have the authority to act on behalf of DG and sign the
21 agreement.
- 22
- 23 **Q. Regarding the Settlement Agreement, do you believe the settlement is in the public**
24 **interest?**
- 25 A. Yes, the Settlement Agreement is the result of meeting of Pipeline Safety Staff and
26 understanding its concerns about the welds and the installation of the new compressor.
27 The Settlement Agreement is a coordinated and constructive result that allows us to work
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with Pipeline Safety Staff in a productive fashion going forward and puts in place measures designed to emphasize safety, such as establishing a field office, retaining a trained and qualified welding inspector to ensure all welding work done at the Facility meets applicable requirements, DG establishing its own written procedures for future welding work and implementing a Process Safety Management System Program that includes operator training and safety promotion. We believe this will lead to improved communication with Pipeline Safety, and allow us to better use them as a resource to improve safety of operations at the Facility.

Q. Did DG agree to make an immediate payment as part of the Settlement?

A. Yes, we agreed to a \$7,500 payment to the Arizona General Fund. Given that we are a small company with very specific operations, this is a significant payment. But DG also agreed to a future penalty of \$42,500 – over five times as much – should it be found that the Company failed to follow through on the terms and conditions in this settlement for the next five years.

Q. What steps has the Company undertaken to implement procedures to ensure compliance with all applicable requirements regarding any future welding specifically and ensuring safety in general at the Facility?

A. In addition to the steps I mentioned earlier in my testimony to repair the rejected welds for the new compressor, the Company has implemented a new program for plant modifications or additions that involves producing a project document that is shared with the ACC Staff for comment before the work begins. We have already implemented this program and have made a modification under it where the ACC Staff elected to have an inspector on site during the work, which included welding.

Snell & Wilmer

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- 1 Q. Does this conclude your direct testimony?
- 2 A. Yes.
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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF COMMISSION PIPELINE)
SAFETY SECTION STAFF'S COMPLAINT)
AGAINST DESERT GAS, LP FOR VIOLATIONS)
OF COMMISSION RULES)
_____)

DOCKET NO. G-20923A-15-0030

TESTIMONY
SUPPORTING THE SETTLEMENT AGREEMENT
OF
ROBERT E. MILLER
PIPELINE SAFETY SECTION MANAGER
SAFETY DIVISION
ARIZONA CORPORATION COMMISSION

JULY 22, 2015

**EXECUTIVE SUMMARY
STAFF'S COMPLAINT AGAINST
DESERT GAS, LP
DOCKET NO. G-20923A-15-0030**

This testimony addresses Staff's view of the Settlement Agreement reached between Staff and Desert Gas, LP to resolve all issues surrounding the Staff Complaint.

1 **INTRODUCTION:**

2 **Q. Please state your name and business address.**

3 **A.** Robert E Miller, 2200 North Central Avenue Suite 300 85004
4

5 **Q. By whom and in what capacity are you employed?**

6 **A.** I am employed by the Arizona Corporation Commission ("Commission") as the Program
7 Manager of the Pipeline Safety Section.
8

9 **Q. Please state your pertinent work experience.**

10 **A.** From 1969 to 1996, I was employed in the pipeline construction industry in various
11 capacities beginning as labor and advancing to General Manager of Pipeline construction
12 for companies specializing in regulated pipeline construction and maintenance.
13

14 From November 1996 to April 2006, I served as pipeline safety inspector for the
15 Commission.
16

17 In 2006, I was promoted to Program Manager of the Pipeline Safety Section. My primary
18 duties as Program Manager include managing the day to day operations of the Pipeline
19 Safety Section, assuring the quality and accuracy of all pipeline safety inspections
20 conducted and verifying the factual information contained in inspection reports generated
21 by Staff and assuring that Staff adhere to all established policies and procedures in the
22 execution of their duties.
23
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1 **PURPOSE:**

2 **Q. What is the purpose of your testimony?**

3 **A.** The purpose of my testimony is to support the proposed settlement agreement
4 (“agreement”) between the Commission and Desert Gas, LP (“DG”). I will also provide
5 testimony to the public interest benefits.

6
7 **Q. Did you participate in the negotiations that led to the execution of the Agreement?**

8 **A.** Yes, I did.

9
10 **Q. Were the Signatories able to resolve all issues?**

11 **A.** Yes, they were.

12
13 **Q. How would you describe the negotiations?**

14 **A.** I would characterizes the negotiations as being open, transparent and cooperative with all
15 parties having the opportunity to raise, discuss and propose resolutions to any issue they
16 desired.

17
18 **Q. Would you describe the process as requiring give and take?**

19 **A.** Yes, both parties negotiated their positions on how best to resolve the issues and come to
20 the resolution in the Agreement.

21
22 **Q. Because of such compromising do you believe that the public interest was
23 compromised?**

24 **A.** No, I do not.
25
26

1 **Q. What are the principal benefits of the Agreement from Staff's perspective?**

2 **A.** This agreement addresses a number of issues that will serve to enhance and improve the
3 safe operation of this facility, thereby providing an improved level of safety for those that
4 are actively employed by DG and to the public in the vicinity of the DG facility. New
5 policies and procedures have been initiated to prevent a recurrence of the issues that
6 resulted in this action being taken. Additionally, communications between the operator
7 and Staff have improved as a result of the agreement. The operator of this facility has and
8 will be continuing to contact Commission Staff prior to commencing new construction to
9 assure compliance with regulations and to schedule inspections of the work by
10 Commission Staff.

11
12 **Q. Please describe Part 1 of the Agreement.**

13 **A.** Part 1, Testing of Welds, requires DG to cease operations of the methane compressor until
14 100 percent of all welds have been radiographed and the system has been pressure tested.
15 At this time DG has voluntarily complied fully with this section of the Agreement.

16
17 **Q. Please describe Part 2 of the Agreement.**

18 **A.** Part 2, Additional Staffing, requires DG to retain a trained and qualified welding inspector
19 to ensure that all future welding at the DG facility meets all regulatory requirements.

20
21 **Q. Please describe Part 3 of the Agreement.**

22 **A.** Part 3, Future Testing of Welds, requires DG to test all future welds at the facility and to
23 notify Commission Staff no less than 72 hours prior to the testing taking place.

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1 **Q. Please describe Part 4 of the Agreement.**

2 **A. Part 4, Procedures Regarding Future Welding, requires DG to develop written procedures**
3 **for all future work involving additions to the DG facility and assure that all contractors**
4 **and welders have necessary training and qualifications to execute the written the**
5 **procedure.**

6
7 **DG further agrees to make notification to the Commission no less than ten days prior to**
8 **any welding taking place and to provide copies of all welding procedures and welder**
9 **qualifications to the Commission.**

10
11 **Q. Please describe Part 5 of the Agreement.**

12 **A. Pursuant to Part 5, Safety Management System ("SMS"), DG agrees to establish a formal**
13 **process for the implementation of a SMS program following the guidance established in**
14 **the American Petroleum Institute Recommended Practice 1173 ("API-1173"). DG agrees**
15 **to establish a safety office at their facility dedicated to implementation of the SMS**
16 **program. In keeping with the API-1173 guidance, DG shall hold quarterly and annual**
17 **meetings that shall include DG's Chief Executive Officer, management staff and DG**
18 **employees. DG shall also conduct annual reviews of the SMS program at which**
19 **Commission Staff shall have the opportunity to participate. DG shall also establish a**
20 **written safety manual appropriate to the DG facility. Records of all SMS meetings and**
21 **reviews shall be maintained for the life of the system.**

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1 **Q. Please describe Part 6 of the Agreement.**

2 **A.** Pursuant to Part 6, Immediate Payment and Future Payment, DG agrees to make an
3 immediate payment of \$7,500 to the Arizona General Fund and further agrees to make an
4 additional payment of \$42,500 should DG be found to have not complied with the terms
5 of the Agreement within the next 5 years.

6
7 **Q. Mr. Miller, is the Agreement in the public interest?**

8 **A.** Yes, it is.

9
10 **Q. Would you summarize the reasons that lead Staff to conclude that the Agreement is**
11 **fair, balanced, and in the public interest?**

12 **A.** This Agreement addresses all the issues identified in the original Staff Complaint filed
13 against DG and increases the level of operational safety at this facility going forward.
14 Parts 1, 2, 3, 4, and 5 all meet or exceed current regulatory requirements and will serve to
15 enhance pipeline and public safety. Payment of a \$7,500 civil penalty coupled with a
16 potential civil penalty of \$42,500 serve as an appropriate deterrent to any future violations.

17
18 **Q. Is there anything else you would like to add to your testimony?**

19 **A.** No, there is not.

20
21 **Q. Does this conclude your testimony?**

22 **A.** Yes.



ATTACHMENT A

DESERT GAS, LP

SETTLEMENT AGREEMENT

DOCKET NO. G-02923A-15-0030

JUNE 9, 2015

PROPOSED SETTLEMENT AGREEMENT
Docket No. G-02923A-15-0030

The Arizona Corporation Commission (Commission) Safety Division Staff (Staff) and Desert Gas, LP (DG), collectively referred to in this proposed Settlement Agreement (Agreement) as the "Parties," hereby submit this proposed Agreement to the Commission for review and approval. The purpose of the proposed Agreement is to resolve Docket No. G-02923A-15-0030 in a manner consistent with the best interests of the public.

FACTUAL BACKGROUND

1. DG operates a high pressure natural gas liquefaction facility located in the vicinity of Ehrenberg, Arizona. Also within the vicinity is an interstate natural gas pipeline crossing the Colorado River approximately one half mile south of the facility, as well as a major truck stop, restaurant and motel within a half mile of the DG facility. The facility is automated and designed to take natural gas from the TransCanada North Baja Pipeline, remove contaminants, and compress and refrigerate the natural gas until it is cryogenic liquid. The resulting liquefied natural gas (LNG) is stored on site for transport by trucks operated by Clean Energy Fuels Corporation (CEF). Each CEF truck has the capacity to carry approximately 9,500 gallons of LNG. The facility has the capacity to store up to 104,000 gallons of LNG on site. Upon vaporization, the 104,000 gallons approximates to 8,590,000 cubic feet of natural gas.

2. Staff conducts an annual safety compliance audit of this facility as part of its pipeline safety responsibilities.

3. During the audit performed by Staff investigators on August 25, through August 29, 2014, Staff determined that DG had installed a new methane compressor and associated pipeline. DG representatives confirmed that the new methane compressor and pipeline went into continuous service on July 28, 2014. Staff asked DG for records of qualified welding procedures,

individual welders' qualification records, pipe specification records, nondestructive testing records, and qualification records of the individuals that had performed the nondestructive tests used during the installation and construction of the new methane compressor and associated piping.

4. A DG representative stated that these records were not available and he would have to contact the Operations Director of DG and the contractor who performed the work to provide Staff with these records. On September 15, 2014, Staff made a second request for the documentation and records by way of email.

5. During the DG 2014 Audit Exit meeting on September 29, 2014, DG provided Staff with documentation addressing the welding procedures, welding qualification records, nondestructive testing of welds and qualification records of the individuals who conducted the nondestructive testing. DG relied upon statements from a new Contractor that it was fully qualified and possessed the required Procedures.

6. Based on its review of the documentation, Staff determined that the contractor that had welded the process piping to the compressor did not have qualified welding procedures at the time of construction.

7. Additional documentation provided by DG regarding nondestructive testing indicated that only 11 out of 83 welds had been nondestructively tested (approximately 13%) prior to bringing the compressor online. DG had an additional 15 welds nondestructively tested on September 18, 2014, after the compressor was brought online and following Staff's inquiry regarding the nondestructive testing. Of the additional 15 welds that were nondestructively tested, there were 8 rejected indicating a more than 50 percent rejection rate. One rejected weld,

discovered through the additional testing, was rejected again after a re-weld using the qualified procedure.

8. On October 7, 2014, a formal Data Request letter was mailed to DG requesting documentation and records of the installation of the compressor and associated piping. Documentation received in response to the Data Request likewise reflected issues regarding the weld procedures and quality of the welds that were performed by the contractor, as demonstrated by nondestructive testing.

STATEMENT OF PARTIES' POSITIONS

1. **Requirement for Qualified Welding Procedure**

a. Staff contends DG should have developed qualified welding procedures prior to performing the welds used in the installation of the methane compressor addition. Based on the records maintained by DG, qualified welding procedures were not developed until after the completion of the methane compressor addition. Staff maintains that A.A.C. R14-5-202(B), through the adoption of 49 C.F.R. part 193 requires the use of qualified welding procedures for the types of welds performed in connection with the methane compressor addition. Consequently, DG cannot demonstrate that it used qualified welding procedures to perform the welds used in connection with the methane compressor addition. Staff acknowledges that the welding procedures DG developed after the completion of the compressor addition are qualified welding procedures.

b. DG contends that it has developed qualified welding procedures for use in the installation of joints relating to the methane compressor addition. DG relied upon statements from a new Contractor that it was fully qualified and possessed the required Procedures. DG's

original Contractor did in fact possess the Qualified Procedures, however they did not belong to DG.

c. DG acknowledges the concerns raised by Staff regarding DG's failure to develop qualified welding procedures prior to performing the relevant welds and that the safe construction of the facility is ultimately DG's responsibility even when the work is performed by contractors working at DG's direction; and DG acknowledges that with certain modifications to its operating practices and training it believes improvements can be made to better inform its processes.

2. Requirement for Welder Qualifications

a. Staff contends that two of the welders DG used to perform the welds for the methane compressor addition did not possess demonstrated ability to perform the qualified welding procedures. Because the qualified welding procedures were not in existence at the time the welds were performed, Staff maintains that neither of the welders was certified on qualified welding procedures that should have been used during the construction. Staff asserts that A.A.C. R14-5-202(B), through the adoption of 49 C.F.R. part 193 requires that welders be qualified on qualified welding procedures they perform.

b. DG contends that the welders used to perform the welds were local contractors and that it is constrained by the availability of qualified personnel. DG further contends that while it is possible to adequately train and qualify an on-staff welder, the limited number of welds necessary to operate the facility do not justify maintaining a full-time welder.

c. DG acknowledges the concerns raised by Staff relating to the qualification of welders to perform the requisite welding procedures; and DG acknowledges that with certain

modifications to its operating practices that improvements can be made to ensure welders are trained and qualified to perform the necessary welds in the future.

3. Requirement for Nondestructive Testing of New Welds

a. Staff contends that DG did not perform nondestructive testing on 30 percent of each day's circumferentially welded pipe joints during the process of adding the methane compressor as required by A.A.C. R14-5-202(B). At the time the compressor was installed, only 11 of the 83 welds were tested. A further 15 welds were tested after the compressor was brought into service and as of the time Staff's Complaint was filed. Staff maintains that the rule requirement is at its most effective for improving safety when performed before facilities are brought under full operating pressure.

b. DG contends that it has performed 26 nondestructive tests and that in all instances of rejected welds detected by the nondestructive testing it has performed re-welds to produce adequate welds. DG contends that it has further performed nondestructive testing of all remaining welds since the filing of the Staff Complaint. Of the remaining welds, all rejected welds were repaired and retested and found to be satisfactory.

c. DG acknowledges Staff's concerns relating to nondestructive testing performed prior to the installation of new high pressure natural gas facilities. Staff acknowledges and appreciates the further efforts of DG in performing nondestructive testing on the remaining welds and the repair of those additional welds that were identified to be faulty. Both Parties acknowledge the importance of nondestructive testing and, in light of the remedial actions agreed to by DG, both Parties believe that DG is taking sufficient action to prevent recurrence of this issue in future similar circumstances.

4. Requirement for Nondestructive Testing in the Event of Demonstrated Test Failures

a. Staff contends that upon the detection of eight rejected welds and one rejected re-weld, DG would be required under A.A.C. R14-5-202(B) to perform two additional nondestructive tests for each rejected weld, totaling 18 additional nondestructive tests of welded joints. Among the 15 additional welds that were nondestructively tested, DG detected eight rejected welds that were subsequently re-welded with one of the re-welds resulting in a further rejected weld. Although all of the rejected welds have since been satisfactorily re-welded, Staff contends that the additional nondestructive testing for each rejected weld would be particularly warranted in light of the high incidence of rejected welds.

b. DG contends that it performed the initial 26 nondestructive tests and in all instances of rejected welds, including the rejected re-weld, it re-welded each rejected weld to a satisfactory level. DG further contends that following the filing of the Staff Complaint it has performed nondestructive testing on all the remaining welds.

c. DG acknowledges Staff's concerns relating to nondestructive testing performed upon the detection of a rejected weld and with the frequency of rejected welds that were detected. Staff acknowledges and appreciates the further efforts of DG in performing nondestructive testing on all the remaining welds. Both Parties acknowledge the importance of nondestructive testing and, in light of the remedial actions agreed to by DG, both Parties believe that DG is taking sufficient action to prevent recurrence of this issue in future similar circumstances.

TERMS AND CONDITIONS

DGS and Staff agree that the following terms will provide a just and reasonable resolution of the issues presented in this matter and will serve the public interest by promoting

public safety, health, and welfare, and by avoiding litigation which unnecessarily diverts the resources of all parties.

1. Testing of Welds for New Compressor (MRC-6)

DG agrees to immediately cease operating the new methane compressor until it has completed nondestructive x-ray testing of 100% of the welds in question at the natural gas liquefaction facility in Ehrenberg, Arizona (the Facility). DG further agrees to provide Staff with a written report within 30 days of the nondestructive x-ray testing being completed, verifying that all of the welds in question meet or exceed the American Society of Mechanical Engineers (ASME) Code standard B31.3, and that the welds in question met the ASME Code prior to the piping being returned to service. Pressure testing shall be conducted in accordance with all regulations, including Title 49, Part 193 of the Code of Federal Regulations (49 C.F.R 193), ASME B31.3, and Arizona Administrative Code (A.A.C.) Rule R14-5-202(B), and records of such testing shall be maintained for the life of the facility.

2. Additional Staffing

DG agrees to retain a trained and qualified welding inspector to ensure all welding work done at the Facility meets the requirements set forth in 49 C.F.R 193.2013(b)(C). The inspector will also review and approve all applicable qualifications and procedures of any welding contractor performing any work at the Facility. Welding inspector qualifications shall be provided to Staff for review, and a record of all qualifications shall be retained for no less than five years following the termination of the welding inspector services.

Further, DG agrees to establish a new position on a permanent basis to implement its Process Safety Management System program described in Terms and Conditions Section 5 below.

3. Future Testing of Welds

DG agrees to conduct testing of all future welds at the Facility pursuant to 49 C.F.R 193.2013(b)(C) to ensure that the welds meet the standards set forth in 49 C.F.R 193.2013(b)(C). Further, DG agrees that all pressure testing shall be conducted in accordance with all regulations and, with the exception of emergency repairs, Staff shall be notified no less than 72 hours prior to any testing taking place to afford Staff the opportunity to witness all testing. Records of all tests performed shall be maintained for the life of the facility. No component shall be placed into service prior to completion of testing.

4. Procedures and Structure Regarding Future Welding Work

DG agrees to develop written procedures regarding future work involving additions to the Facility that involve pipe welding, including the addition of new compressors to the Facility. These written procedures will be shared with Staff no less than 30 calendar days in advance of any future welding work to be performed at the Facility.

DG further agrees that all DG staff and contractors who perform welding activities at the Facility will be trained and qualified in accordance with these procedures. Further, DG agrees that the welders will have the proper certifications to demonstrate that they have been trained and tested in accordance with these procedures. With the exception of repair work of an urgent nature, DG will provide Staff, no less than 10 calendar days prior to any welding taking place, copies of all welding procedures and qualification testing of the welding procedures along with copies of welding qualifications and test results for each qualified welder for review and comment. Records of all welding procedures, welder qualifications, and test results for the procedures and welders shall be maintained for the life of the system.

5. Process Safety Management System Program

DG will establish a formal process for the implementation of a Safety Management System (SMS) program. DG further agrees to incorporate the American Petroleum Institute (API) Recommended Practice (RP) 1173 within 60 days of the official release of the API RP-1173 into the program or adopt those as its procedures for the SMS program. The program will include the additional staffing as described in Terms and Conditions Section 2, as well as the following:

a. Dedicated Safety Office

DG agrees to establish an office at the Facility dedicated to implementing the SMS program, for the exclusive purpose of housing the program. DG further agrees that such office will be built within 90 days of the approval of this agreement by the Commission. Copies of all plans, procedures, manuals and records necessary for demonstrating compliance with all federal and state regulations and this agreement shall be maintained within the safety office.

b. Quarterly Meetings and Annual Review

The SMS program will include quarterly meetings, with DG's Chief Executive officer (CEO) participating, to review the program and any issues that have arisen at the Facility. Additionally, on an annual basis, DG will review updates to API RP 1173 to determine applicability to the Facility operations. DG further agrees to invite Staff to participate in the annual review, and to coordinate the review with the annual Staff audit. DG's Top Management will participate in the quarterly meetings and annual review, in accordance with API RP 1173.

c. Safety Manual

DG agrees to develop a safety manual appropriate to the Facility and including the written procedures detailed in Terms and Conditions Section 4. DG will test employees and will provide incentives to those employees who either achieve an exceptional grade on the test, or to

an employee who submits suggestions that are ultimately incorporated into the manual. Records shall be maintained of all testing and the results for the life of the Facility. These records shall include the name of the individual being tested, the date of the testing, a copy of the materials being addressed with the personnel being trained and the signature of the person being trained and tested.

d. Operator Training

DG agrees to provide process training for operators of the Facility, and to test such operators on all applicable processes relevant to the operations of the Facility. Records shall be maintained of all testing and the results for the life of the facility. These records shall include the name of the individual being tested, the date of the testing, a copy of the materials being addressed with the personnel being trained and the signature of the person being trained and tested.

e. Safety Promotion

DG agrees to emphasize the importance of safety throughout the program, including the training and testing of the Facility operators. To encourage employee participation, DG, as part of emphasizing safety, will provide promotional materials and awards including cash incentives.

6. Immediate Payment and Future Penalty

DG agrees to the following:

- a. DG agrees to make an immediate payment of \$7,500 to the Arizona General Fund.
- b. DG agrees that, should it be found that it has not complied with the terms and conditions of the settlement agreement regarding this matter during any time within 5 years of Commission approval of an agreement between Staff and DG, DG will then pay any future penalty of \$42,500 to the Arizona General Fund. Both Parties agree that the additional penalty

will not be imposed until Staff files notice of noncompliance with the terms of this agreement in the docket and DG has an opportunity to be heard, including an evidentiary hearing, regarding any allegations that is has not complied with the terms and conditions of the settlement.

MISCELLANEOUS PROVISIONS

1. This Agreement represents the Parties' mutual desire to compromise and resolve this docket in a manner consistent with the public interest. This Agreement represents a compromise of the positions of the Parties. Acceptance of this Agreement is without prejudice to any position taken by any Party, and none of the provisions may be referred to, cited, or relied upon by any other Party as precedent in any proceeding before this Commission, any other regulatory agency, or any court of law for any purpose except in furtherance of the purposes and results of this Agreement.

2. All negotiations relating to or leading to this Agreement are privileged and confidential, and no Party is bound by any position asserted in negotiations, except to the extent expressly stated in this Agreement. As such, evidence of conduct or statements made in the course of negotiation of this Agreement are not admissible as evidence in any proceeding before the Commission, any other regulatory agency, or any court.

3. This Agreement represents the complete agreement of the Parties. There are no *understandings or commitments other than those specifically set forth herein*. The Parties acknowledge that this Agreement resolves all issues that were raised in connection with this matter and is a complete and total settlement between the Parties.

4. Nothing included in the Agreement is intended to constitute an admission by either Party that any of the positions asserted, or that might be asserted, in the above-referenced

docket, is unreasonable or unlawful. Additionally, execution of the Agreement by the Parties is without prejudice to any position asserted by either Party in the above-referenced docket.

5. The Parties recognize that (1) Staff does not have the power to bind the Commission and (2) for purposes of proposing a settlement agreement, Staff acts in the same manner as a Party to proceedings before the Commission.

6. The Parties further recognize that (1) the Agreement functions as a procedural device to propose its terms to the Commission and (2) the Agreement has no binding force or effect unless and until finally approved in an order of the Commission.

7. The Parties further recognize that the Commission will evaluate the terms of the Agreement and that, after such evaluation, the Commission may require modifications to the terms of the Agreement as a condition of Commission approval.

8. In the event the Commission adopts an order approving substantially all of the terms of the Agreement, such action by the Commission constitutes approval of the Agreement and, thereafter, the Parties shall abide by the terms approved by the Commission.

9. In the event that DG objects to any Commission modification(s) of the Agreement, DG shall timely file an application for rehearing pursuant to A.R.S. § 40-253. In the event that DG does not file such an application, DG shall be deemed (1) to have accepted any Commission modification(s) and (2) to have conclusively and irrefutably acknowledged that any Commission modification(s) are not substantial and that, therefore, the Commission order has adopted substantially all of the terms of the Agreement.

10. In the event that DG files an application for rehearing and alleges that the Commission has not adopted substantially all of the terms of the Agreement, such application

shall be deemed a withdrawal of DG's execution of the Agreement, and the Parties may proceed without any prejudice to any of the positions asserted by the Parties.

11. In the event that a Party's application for rehearing is denied, either by Commission order or by operation of law, and the Party continues to object to any Commission modification(s), the Party shall timely appeal the Commission's order pursuant to A.R.S. § 40-254 and/or § 40-254.01, as appropriate. In the event the Party does not file such an appeal, the Party shall be deemed (1) to have accepted any Commission modification(s) and (2) to have conclusively and irrefutably acknowledged that any Commission modification(s) are not substantial and that, therefore, the Commission's order has adopted substantially all of the terms of the Agreement.

12. The definitive text of the Agreement shall be the text adopted by the Commission in an order approving substantially all of the terms of the Agreement, including any Commission modification(s).

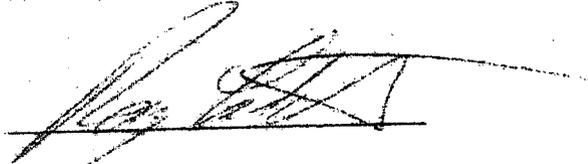
13. Each of the terms of the definitive text of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

14. Each signatory Party will actively defend this Agreement before the Commission, any other regulatory agency, or court in the event of any challenge to its validity or implementation. The Parties expressly recognize, however, that Staff shall not be obligated to file any document or take any position that is inconsistent with a Commission order in this matter before any other regulatory agency, or before any court in which it may be at issue.

15. There is no other agreement between the Parties regarding the issues to be resolved in the above-referenced docket. Upon Commission approval of the Agreement, the Parties shall treat Docket No. G-20923A-15-0030 as closed.

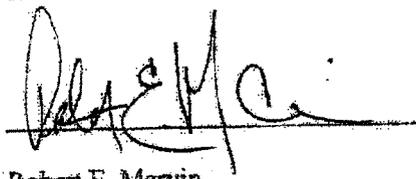
Executed by the Parties this 9th day of June 2015.

DESERT GAS, LP

A handwritten signature in black ink, appearing to read 'Ray Latchem', written over a horizontal line.

Raymond Latchem
President

ARIZONA CORPORATION COMMISSION
SAFETY DIVISION STAFF

A handwritten signature in black ink, appearing to read 'Rob Marvin', written over a horizontal line.

Robert E. Marvin
Director of Safety Division



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BEFORE THE ARIZONA CORPORATION COMMISSION

- SUSAN BITTER SMITH
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- DOUG LITTLE
Commissioner
- TOM FORESE
Commissioner

IN THE MATTER OF COMMISSION PIPELINE SAFETY SECTION STAFF'S COMPLAINT AGAINST DESERT GAS, LP FOR VIOLATIONS OF COMMISSION RULES.

DOCKET NO. G-20923A-15-0030

AMENDED COMPLAINT

Arizona Corporation Commission ("Commission") Pipeline Safety Section Staff ("Staff"), for its Amended Complaint against Desert Gas, LP ("DG" or "Company"), a limited liability company and public service corporation, alleges:

JURISDICTION

1. The Commission is an agency of the State of Arizona, existing by virtue of article XV of the Arizona Constitution.
2. Respondent DG is a foreign limited partnership (organized in Delaware) authorized to transact business in Arizona. Formerly Desert Gas Services, LLC, DG is a wholly owned subsidiary of Spectrum LNG, LLC since it was purchased in October of 2011. DG constructs, owns and operates a liquefied natural gas ("LNG") facility in Ehrenberg, Arizona. DG's plant can liquefy approximately 50,000 - 60,000 gallons of natural gas per day.
3. DG is a pipeline operator as defined by Arizona Administrative Code ("A.A.C.") Rule R14-5-201(17).
4. Upon information and belief, DG is also a public service corporation because it furnishes LNG as fuel to Clean Energy Fuels Corp. ("CEF"). According to its 2013 Annual Report¹,

¹ CEF's 2013 Annual Report, available at http://www.cleanenergyfuels.com/pdf/Clean-Energy-revised-2013-Annual-Report_web-ready_4-7-14.pdf

1 CEF provides natural gas for transportation to the refuse, transit, port, shuttle, taxi, intra- and
2 interstate trucking, airport and municipal fleet markets and fuels more than 15,000 vehicles daily at
3 over 175 locations across North America.

4 5. DG is also a common carrier as that term is defined under the Arizona Constitution,
5 Article XV, Section 10 and is therefore a public service corporation because all common carriers
6 other than municipal are public service corporations pursuant to the Arizona Constitution, Article
7 XV, Section 2.

8 6. Pursuant to Arizona Revised Statutes ("A.R.S.") § 40-441, the Commission is the
9 state agency charged with enforcement of pipeline safety. The Commission has adopted the Federal
10 Safety Standards of the United States Department of Transportation ("DOT"), Pipeline and
11 Hazardous Materials Safety Administration ("PHMSA") in A.A.C. Rules R14-5-201, -202, -203, -
12 204, -205, -206, and -207. This proceeding is brought pursuant to that authority as well as the
13 Arizona Constitution, Article XV, §§ 3, 4, 6, 10, 16, and 19, and A.R.S. §§ 40-321, -424, -425, and -
14 442.

15 **BACKGROUND**

16 7. DG operates a high pressure natural gas liquefaction facility located approximately
17 300 yards east of a natural gas compressor station for an interstate transmission pipeline in the
18 vicinity of Ehrenberg, Arizona. Also within the vicinity is an interstate natural gas pipeline crossing
19 the Colorado River approximately one half mile south of the facility, as well as a major truck stop,
20 restaurant and motel within a half mile of the DG facility. The facility is automated and designed to
21 take natural gas from the Transwestern North Baja Pipeline, remove contaminants, compress and
22 refrigerate the natural gas until it is cryogenic liquid with a boiling point of - 260° Fahrenheit. The
23 resulting liquefied natural gas ("LNG") is stored on site for transport by trucks operated by CEF.
24 Each CEF truck has the capacity to carry approximately 9,500 gallons of LNG.

25 8. The facility has the capacity to store up to 104,000 gallons of LNG on site. Upon
26 vaporization, the 104,000 gallons approximates to 8,590,000 cubic feet of natural gas.

27 9. LNG is a highly flammable, cryogenic, and potentially explosive product.

28 ...

1 10. Staff conducts an annual safety compliance audit of this facility as a part of its
2 pipeline safety responsibilities.

3 11. The facility is located near the Colorado River and areas frequented by tourists,
4 boaters, and tubing/rafting enthusiasts recreating in the river.

5 12. During an audit performed by Staff investigators on August 25, through August 29,
6 2014, Staff determined that DG had installed a new methane compressor and associated piping. DG
7 representatives confirmed that the new methane compressor and pipeline went into continuous
8 service on July 28, 2014. Staff asked DG for records of qualified welding procedures, individual
9 welders' qualification records, pipe specification records, nondestructive testing² records and
10 qualification records of the individuals that had performed the nondestructive tests used during the
11 installation and construction of the new methane compressor and associated piping.

12 13. A qualified welding procedure is a formal document establishing a set of welding
13 methods which provide direction to a welder such that the welder can produce welds that meet the
14 requirements of a design specification for which the procedure was developed. A procedure is
15 developed for each material and each type of weld that will be used. The procedure is verified by
16 testing (including testing by destructive means) to ensure the process will result in a weld that can
17 withstand the tolerances required by the design and is then recorded as a qualified welding
18 procedure. Thus the qualification includes both the procedure to be used and the testing proof that
19 the specified weld will be sufficiently robust.

20 14. A welder qualification is a document verifying that a welder has demonstrated the
21 skill and actually performed a compliant weld using a specified qualified welding procedure. A
22 welder qualification is valid only for the welding procedures that were demonstrated for purposes of
23 obtaining the qualification.

24 15. A DG representative stated that these records were not available and he would have
25 to contact the Operations Director of DG and the contractor who performed the work to provide
26 Staff with these records.

27 _____

28 ² i.e. by use of x-ray imaging, ultrasound or other established means to determine the integrity of the equipment short of cutting and removing a sample segment for laboratory examination.

1 16. On September 15, 2014, Staff emailed DG reiterating that DG needed to provide
2 documentation and records of the installation of the new methane compressor and associated piping
3 as discussed during the Audit.

4 17. During the DG 2014 Audit Exit meeting on September 29, 2014, DG provided Staff
5 with documentation addressing the welding procedures, welding qualification records,
6 nondestructive testing of welds, and qualification records of the individuals who conducted the
7 nondestructive testing.

8 18. Based on Staff's review of the documentation, Staff determined that the contractor
9 that had welded the process piping³ to the compressor did not have qualified welding procedures at
10 the time of construction.

11 19. Because a welding process had not been established and qualified at the time the
12 welds had been performed, the welds that were performed were not developed or tested for adequacy
13 to meet the design specifications for stress and pressure that will be encountered during the operation
14 of the compressor.

15 20. The qualified welding procedures that were provided to Staff were dated September
16 15, 2014, which is 49 days after the new methane compressor and piping was put into service on
17 July 28, 2014. Records provided by DG indicate that the two welders who performed all
18 construction welds related to the installation of the new methane compressor and process piping had
19 been qualified on April 7, 2014, 160 days prior to when the procedure was qualified. That is to say,
20 the documents indicate the welders were qualified before a welding procedure was tested to
21 demonstrate that welds using that procedure would meet the design requirements for the new
22 compressor and associated piping.

23 21. Additional documentation provided by DG regarding nondestructive testing indicated
24 only 11 out of 83 welds had been nondestructively tested (approximately 13%) prior to bringing the
25 compressor online. DG did have a further 15 welds nondestructively tested on September 18, 2014,
26 after the compressor was brought online and following Staff's inquiry regarding the nondestructive
27

28 ³ Process equipment includes all systems needed by a designed system to perform a process. In the context, process piping is piping that is necessary by design to compress and liquefy natural gas.

1 testing. Of the additional 15 welds that were nondestructively tested there were 8 failures indicating
2 a more than a 50 percent failure rate. One failed weld discovered through the additional testing
3 failed a second testing after a re-weld using the qualified procedure was performed.

4 22. On October 7, 2014, a formal Data Request letter was mailed to DG requesting
5 documentation and records of the installation of the compressor and associated piping.
6 Documentation received in response to the data request likewise reflected issues regarding the weld
7 procedures and quality of the welds that were performed, as demonstrated by nondestructive testing.

8 23. Based upon the number of CEF trucks that load LNG from this facility every day and
9 based upon the presence of other people in the area of the plant, a failure would have the potential of
10 seriously injuring or killing many people in the immediate vicinity of the facility, as well as
11 damaging interstate pipeline facilities that serve Southern and Central California. In light of the
12 dangers, Staff believes that operating pipeline facilities of this nature without employing adequately
13 qualified welding procedures and individuals with demonstrable knowledge, skill and ability to
14 perform the necessary welds presents a public safety hazard, particularly in light of the unusually
15 high percentage of failed welds.

16 COMPLAINT

17 Count One

18 (Qualified Welding Procedure)

19 24. Staff incorporates the allegations of Paragraphs 1-20 herein.

20 25. DG did not have qualified welding procedures determined and demonstrated to be
21 sufficient to meet the design criteria for the addition of the methane facility prior to constructing and
22 bringing the facility into service. Failure to qualify welding procedures prior to construction of
23 pipeline facilities is a violation of A.A.C. R14-5-202(B).

24 26. American Society of Mechanical Engineers ("ASME") code standard B31.3 (1996
25 edition) 328.2.1(a) requires that "qualifications of the *welding procedures to be used* and of the
26 performance of welders and welding operators shall conform to the requirements of the [Boiler
27 Pressure Vessel] Code, Section IX". (Emphasis added.) Likewise, ASME B31.3 328.2.2 provides
28 ...

1 that "Each employer is responsible for qualifying any welding procedure that personnel *will* use."
2 (Emphasis added.) Consequently, welding procedures must be qualified prior to being used.

3 27. 49 Code of Federal Regulations ("C.F.R.") 193.2013(b)(C) adopts ASME B31.3 for
4 LNG facilities. Pursuant to Arizona Administrative Code ("A.A.C.") Rule R14-5-202(B), the
5 Commission has adopted 49 C.F.R. part 193.

6 28. The new methane compressor and associated piping had been installed and brought
7 into service as of July 28, 2014. However, the qualified welding procedures were not demonstrated
8 and recorded as qualified until September 15, 2014. Therefore, DG did not qualify welding
9 procedures until after the construction welds were performed and the facility was brought into
10 service.

11 29. Because DG did not qualify welding procedures that would meet the design
12 requirements until after construction of the facility addition, DG did not use qualified welding
13 procedures in the construction of the compressor and piping addition. DG's failure to use qualified
14 welding procedures during the construction of the facility addition is a violation of A.A.C. R14-5-
15 202(B).

16 **Count Two**

17 **(Welder Qualifications)**

18 30. Staff incorporates the allegations of Paragraphs 1-26 herein.

19 31. DG did not use welders who demonstrated the ability to use the qualified welding
20 procedures by qualifying their welds (performing demonstration welds using the specified welding
21 procedure). Failure to qualify welders on qualified welding procedures prior to installation of the
22 new facility addition is a violation of A.A.C. R14-5-202.

23 32. ASME B31.3 (1996 edition) 328.2.1(a) requires that "qualifications of the welding
24 procedures to be used and of the *performance of welders and welding operators* shall conform to
25 the requirements of the [Boiler Pressure Vessel] Code, Section IX". Emphasis added.

26 33. 49 C.F.R. 193.2013(b)(C) adopts ASME B31.3 for LNG facilities. Pursuant to
27 A.A.C. Rule R14-5-202(B), the Commission has adopted 49 C.F.R. part 193.

28 ...

1 34. DG failed to provide individual welding qualification records for the two welders
2 identified by DG as having performed all the welds associated with the addition of the methane
3 compressor. The welding procedures that were qualified for welding the piping to the addition of
4 the methane compressor were not qualified until 49 days after completion of the construction.
5 Consequently, the welders performing the welds related to the construction of the methane
6 compressor and piping additions were not certified to use qualified welding procedures and were not
7 using qualified welding procedures during the construction of the facility. These welds were last
8 qualified 160 days prior to the qualification of the specific welding procedures necessary to meet the
9 design criteria for the new facility. Therefore, documentation provided by DG demonstrates that the
10 welders were not qualified on the qualified procedure at the time the construction welds were
11 performed.

12 35. Because DG utilized welders who were not qualified to use qualified welding
13 procedures specified for the installation of the compressor and piping addition, DG has violated
14 A.A.C. R14-5-202(B).

15 Count Three

16 (Nondestructive Testing of New Welds)

17 36. Staff incorporates the allegations of Paragraphs 1-32 herein.

18 37. DG failed to provide documentation to demonstrate that 30 percent of each day's
19 circumferentially welded pipe joints had been nondestructively tested during construction. Failure to
20 perform the required number of nondestructive tests during the construction of a facility is a
21 violation of A.A.C. R14-5-202(B).

22 38. National Fire Protection Association ("NFPA") code standard 59A 6.6.3.2 provides
23 that, "all circumferential butt welds shall be examined fully by radiographic or ultrasonic
24 inspection... [except that (2)] [p]ressure piping operating above -20° F (-29° C) shall have 30 percent
25 of *each day's circumferentially welded pipe joints* nondestructively tested over the entire
26 circumference in accordance with ASME B 31.3."

27 39. 49 C.F.R. 193.2013(b)(E) adopts NFPA 59A by reference for LNG facilities.
28 Pursuant to A.A.C. R14-5-202(B), the Commission adopted 49 C.F.R. Part 193.

1 d. Has violated A.A.C. R14-5-202(B) by failing to perform the requisite number
2 of nondestructive tests following the discovery of failed construction welds.

3 51. Staff requests that the Commission order DG to cease operation of the new methane
4 compressor pending the completion of 100 percent testing of all welds using nondestructive testing.

5 52. Staff requests that the Commission impose a fine pursuant to A.R.S. § 40-424 in an
6 amount not less than \$100 nor more than \$5,000 per each weld performed using an unqualified
7 procedure as a violation of Commission Statutes, Rules, Regulations or Orders.

8 53. Staff requests that the Commission impose a fine pursuant to A.R.S. § 40-424 in an
9 amount not less than \$100 nor more than \$5,000 per each weld performed by an unqualified welder
10 as a violation of Commission Statutes, Rules, Regulations or Orders.

11 54. Staff requests that the Commission impose a fine pursuant to A.R.S. § 40-425 in an
12 amount not less than \$100 nor more than \$5,000 for each separate violation of Commission Statutes,
13 Rules, Regulations or Orders.

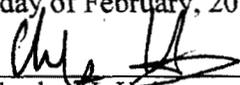
14 55. Staff requests that the Commission impose a fine pursuant to A.R.S. § 40-442 in an
15 amount not less than \$100,000 for each day to a maximum of \$1,000,000 for each separate violation
16 of Commission Statutes, Rules, Regulations or Orders.

17 56. Staff requests that the Commission impose a fine pursuant to Article XV, Sections 16
18 and 19 of the Arizona Constitution in an amount not less than \$100 and no more than \$5,000 for
19 each separate violation of Commission Statutes, Rules, Regulations or Orders.

20 57 Staff requests that the Commission provide such additional relief as may be
21 appropriate.

22 58. Staff further requests the issuance of a procedural order setting this matter for
23 hearing.

24 RESPECTFULLY SUBMITTED this 12th day of February, 2015.

25 
26 _____
27 Charles H. Hains
28 Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

1 The original and thirteen (13) copies
2 of the foregoing were filed this
3 12th day of February, 2015 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

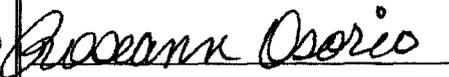
6 Copy of the foregoing mailed this
7 12th day of February, 2015 to:

7 Bret Bartholomey
8 Desert Gas, LP
9 8505 S. Elwood Ave., Building #123
10 Tulsa, OK 74132

10 Mr. Raymond Latchem, President
11 Desert Gas Services
12 8505 S. Elwood Ave., Building #123
13 Tulsa, OK 74132

12 Ms. Janice Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

15 Mr. Robert E. Marvin
16 Director, Safety Division
17 Arizona Corporation Commission
18 2200 N. Central Ave., Suite #300
19 Phoenix, AZ 85004

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