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MEMORANDUM

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AZ CORP COMMISSION

DOCKET CONTROL

TO: Docket Control

FROM: Betty Camargo *BC*
Paralegal, Legal Division

2016 JAN 7 AM 10 40

DATE: January 7, 2016

RE: NOTICE OF EMERGENCY RULEMAKING
DOCKET NO. RG-00000A-15-0098

Attached is the Notice of Emergency Rulemaking amending the Pipeline Safety Rules, A.A.C. R14-5-202, R14-5-203, R14-5-204, R14-5-205 and R-14-5-207 as published in the *Arizona Administrative Register*, 22 A.A.R. 1. The rules became effective December 15, 2015.

Arizona Corporation Commission

DOCKETED

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DOCKETED BY	<i>KC</i>
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NOTICES OF EMERGENCY RULEMAKING

This section of the *Arizona Administrative Register* contains Notices of Emergency Rulemaking.

The Office of the Secretary of State is the filing office and publisher of these rules.

Questions about the interpretation of the emergency rules should be addressed to the agency proposing them.

Refer to Item #5 to contact the person charged with the rulemaking.

NOTICE OF EMERGENCY RULEMAKING

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

CHAPTER 5. CORPORATION COMMISSION – TRANSPORTATION

[R15-196]

PREAMBLE

- 1. Article, Part, or Section Affected (as applicable)**

R14-5-202	Amend
R14-5-203	Amend
R14-5-204	Amend
R14-5-205	Amend
R14-5-207	Amend

- 2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**

Authorizing statute: Arizona Constitution, Article XV § 3.
Implementing statute: A.R.S. § 40-441

- 3. The effective date of the rule:**

December 15, 2015

The rule takes effect upon filing the Notice of Emergency Rulemaking with the Office of the Secretary of State by the Office of the Attorney General. An exception from the effective date provisions in A.R.S. § 41-1032(A) is necessary to preserve public health and safety by immediately bringing the state rules into conformity with Federal Regulations relating to the safe transportation of natural gas and hazardous materials by pipeline in Arizona.

- 4. Citations to all related emergency rulemaking notices published in the Register as specified in R1-1-409(A) that pertain to the record of this notice of emergency rulemaking:**

None

- 5. The agency's contact person who can answer questions about the rulemaking:**

Name: Charles Hains, Commission Counsel, Legal Division
Address: Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007
Telephone: (602) 542-3402
Fax: (602) 542-4870
E-mail: Chains@azcc.gov
Web site: www.azcc.gov

- 6. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**

The purpose of the proposed rules is to amend, R14-5-202, R14-5-203, R14-5-204, R14-5-205 and R14-5-207, of the Pipeline Safety Rules. The amendments to R14-5-202, R14-5-203 R14-5-204, R14-5-205 and R14-5-207 are revised for clarity and to update incorporations by reference of the most recent amendments to the Code of Federal Regulations ("CFR"), Title 49.

The Commission is exempt from the Executive Order 2015-01 requirement to obtain prior approval before engaging in rulemaking proceedings.

7. **A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

None

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

Not applicable

9. **A summary of the economic, small business, and consumer impact:**

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

The new rules may increase testing costs for operators of liquefied natural gas facilities when welding is performed, although such costs should be minimal as welding is a non-recurring activity. Such costs will only be incurred if the liquefied natural gas facility operator is not already ensuring that nondestructive testing is completed for each weld performed on newly installed, replaced, or repaired pipeline or appurtenances.

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

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

10. **Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules. When applicable, matters shall include but are not limited to:**

- a. **Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

Not applicable

- b. **Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

The rule amendments bring the state rules into conformity with the federal law, thereby paralleling the federal law and therefore are neither more nor less stringent than the federal law.

- c. **Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:**

None

11. **A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rule:**

49 CFR 40 (October 1, 2015) adopted in R14-5-202(B)

49 CFR 191 (October 1, 2015) adopted in R14-5-202(B)

49 CFR 192 (October 1, 2015), except I(A)(2) and (3) of Appendix D to part 192 adopted in R14-5-202(B)

49 CFR 193 (October 1, 2015) adopted in R14-5-202(B)

49 CFR 195 (October 1, 2015), except 195.1(b)(2), (3), and (4) adopted in R14-5-202(B)

49 CFR 199 (October 1, 2015) adopted in R14-5-202(B)

12. **An agency explanation about the situation justifying the rulemaking as an emergency rule:**

The Commission finds that it is necessary to adopt the rule amendments included in this Notice of Emergency Rulemaking as an emergency measure, and with an immediate effective date, because the rule amendments must take effect before January 1, 2016, in order for the Commission to (1) protect the public health, safety, and welfare; (2) comply with a deadline imposed by a federal program; (3) avoid violating requirements of a federal regulation; (4) avoid an imminent budget reduction; and (5) avoid serious prejudice to the public interest. The Commission's need to conduct emergency rulemaking is not due to its own inaction or delay and could not have been averted by timely compliance with the notice and public participation provisions of A.R.S. Title 41, Chapter 6.

The Commission attempted to complete the rule amendments included in this emergency rulemaking through regular rulemaking, for which a Notice of Proposed Rulemaking was published at 21 A.A.R. 674 (May 15, 2015); an oral proceeding was held on June 18, 2015; and a Notice of Final Rulemaking packet was filed with the Office of the Attorney General ("AG"), pursuant to A.R.S. § 41-1044, on September 15, 2015. Subsequently, the Commission was notified by the AG that clarifying modifications to date parentheticals included in the Notice of Final Rulemaking were considered to constitute a substantial change under A.R.S. § 41-1025. These circumstances presented an unanticipated delay in the regular rulemaking process making it impossible for the Commission to adopt the rule amendments through regular rulemaking before January 1, 2016. Thus, the Commission is adopting the rule amendments as an emergency measure, to ensure that the rule amendments become effective before January 1,

2016, and will follow this emergency rulemaking with additional regular rulemaking to adopt the rule amendments. The primary purpose of the rule amendments is to make the Commission's rules consistent with current federal pipeline safety regulations by updating incorporations by reference in the Commission's rules to ensure that the Commission maintains compliance with the requirements of its intergovernmental agreement with the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration ("PHMSA"). The rule amendments update the incorporations by reference for 49 CFR Parts 40, 191, 192, 193, 195, and 199 as well as several U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration ("PHMSA") reporting forms. As a secondary purpose, the rule amendments also clarify some of the provisions in the rules.

Under 49 U.S.C. § 60105, the Commission holds certification from PHMSA authorizing the Commission to prescribe and enforce safety standards and practices for intrastate pipeline facilities and intrastate pipeline transportation. The Commission is also authorized to act as an interstate agent under 49 CFR Chapter 601. To maintain its certification, the Commission must annually submit to PHMSA a certification stating, *inter alia*, that the Commission (1) has regulatory jurisdiction over the standards and practices to which the certification applies; (2) has adopted, by the date of certification, each applicable standard prescribed under 49 U.S.C. Chapter 601 or, if the standard was prescribed no later than 120 days before certification, is taking steps to adopt the standard; and (3) is enforcing each adopted standard through means including inspections by qualified Commission employees. The certification filing must also identify the persons subject to the Commission's safety jurisdiction, describe specific types of reported accidents or incidents during the past 12 months, provide an investigation summary for each accident or incident, and describe the Commission's regulatory and enforcement practices. PHMSA may reject certification for a state authority if it determines that the state authority is not satisfactorily enforcing compliance with the applicable federal safety standards of 49 U.S.C. Chapter 601. A state authority that carries out a safety program pursuant to certification under 49 U.S.C. § 60105 is eligible to obtain grant funding from PHMSA of up to 80 percent of the state authority's costs for the personnel, equipment, and activities reasonably required to carry out the program for the next calendar year. One of the performance factors considered by PHMSA when determining the allocation of grant funds to a state authority is whether the state has adopted the applicable federal pipeline safety standards. PHMSA can withhold payment if it determines that a state authority is not satisfactorily carrying out its safety program.

If the Commission fails to make the rule amendments effective by December 31, 2015, the compliance deadline under the PHMSA certification program, the Commission could lose federal grant funding for the Commission's Pipeline Safety program. This would constitute an imminent budget reduction and would result in serious prejudice to the public interest, which is best served by a robust Pipeline Safety program that has sufficient resources to enforce the most current federal safety standards. Because the rules at issue establish safety standards consistent with the most current federal safety standards, it is in the public interest to have the rules in effect and capable of enforcement as soon as possible.

13. The date the Attorney General approved the rule:

December 15, 2015

14. The full text of the rules follows:

**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 for Gas, LNG, and Hazardous Liquid Pipeline Systems
- R14-5-203. Pipeline Incident Reports
- R14-5-204. Annual Reports
- R14-5-205. Commission Investigations
- R14-5-207. Master Meter System Operators

ARTICLE 2. PIPELINE SAFETY

R14-5-202. Construction and Safety Standards for Gas, LNG, and Hazardous Liquid Pipeline Systems

- A. No Change
- B. Subject to the definitional changes in R14-5-201 and the modifications noted in this Section, the Commission adopts, incorporates, and approves as its own 49 CFR 40; 191; 192, except (1)(A)(2) and (3) of Appendix D to Part 192; 193; 195, except 195.1(b)(2), (3), and (4); and 199(October 1, 2012 October 1, 2015), including no future editions or amendments, which are incorporated by reference; on file with the Office of Pipeline Safety; and published by and available from the U.S. Government Printing Office, 710 North Capital Street N.W., Washington DC 20401, and at <http://>

www.gpo.gov/fdsys/. For purposes of 49 CFR 192, "Business District" means an area where the public congregate for economic, industrial, religious, educational, health, or recreational purposes and two or more buildings used for these purposes are located within 100 yards of each other.

- C. No change
 - 1. No change
 - 2. No change
- D. No change
- E. No change
 - 1. No change
 - 2. No change
- F. No change
- G. No change
- H. No change
- I. No change
- J. An operator of an intrastate pipeline transporting LNG, gas, or a hazardous liquid shall use a cathodic protection system designed to protect the metallic pipeline in its entirety, in accordance with 49 CFR 192, Subpart I, ~~October 1, 2010 (and no future amendments)~~; as incorporated by reference in subsection (B), and copies available from the Office of Pipeline Safety and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954, except Sections (I)(A)(2) and (3) of Appendix D to Part 192 shall not be utilized. This modifies 49 CFR 192.463(a), 193.2629, and 195.571.
- K. No change
- L. No change
- M. No change
- N. An operator of an intrastate pipeline transporting gas or hazardous liquid that constructs an underground pipeline system using plastic pipe shall bury the installed pipe with at least 6 inches of sandy type soil, free of any rock or debris, surrounding the pipe for bedding and shading, unless the pipe is otherwise protected as approved by the Office of Pipeline Safety. Steel pipe shall be installed with at least 6 inches of sandy type soil, free of any debris or materials injurious to the pipe coating, surrounding the pipe for bedding and shading, unless the pipe is otherwise protected as approved by the Office of Pipeline Safety. This modifies 49 CFR 192.321, 192.361, and 195.246.
- O. No change
- P. No change
- Q. An operator of an intrastate pipeline transporting gas shall survey and grade all detected leakage according to the standards provided below, which modify 49 CFR 192.706 and 192.723:
 - 1. In the case of all gas except LPG, leakage surveys and grading shall be performed pursuant to the standards set by ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983, including no future editions or amendments, which is incorporated by reference; on file with the Office of Pipeline Safety; published by and available from ASME, ~~Three~~ Two Park Avenue, New York, NY 10016-5990; and modified by omitting 4.4(c) and by replacing "should" with "shall" each time it appears.
 - 2. In the case of LPG, leakage surveys and grading shall be performed pursuant to the standards set by ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11A-1983, including no future editions or amendments, which is incorporated by reference; on file with the Office of Pipeline Safety; published by and available from ASME, ~~Three~~ Two Park Avenue, New York, NY 10016-5990; and modified by replacing "should" with "shall" each time it appears.
 - 3. No change
- R. No change
- S. No change
- T. An operator of an LNG facility shall ensure that nondestructive testing is completed for each weld performed on newly installed, replaced, or repaired pipeline or an appurtenance. This modifies 49 CFR 193.2303.
- ~~T.U.~~ In the event of an unknown failure of a gas, LNG, or hazardous liquid pipeline, resulting in the operator's being required to provide a telephonic or written report under R14-5-203 (B) or (C) and in the operator's removing a portion of the failed pipeline, the following shall occur:
 - 1. No change
 - 2. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - 3. Within 48 hours after receiving telephonic notification pursuant to subsection (~~T~~ U)(2), the Office of Pipeline Safety shall:



- a. Determine, based on the information provided by the operator and the availability, adequacy, and reliability of any pipeline testing laboratory operated by the operator, whether it is necessary to have the removed portion of pipeline tested at an independent laboratory; and
- b. Telephonically notify the operator either:
 - i. That the operator must have the removed portion of pipeline tested, in accordance with Office of Pipeline Safety directions, by an independent laboratory selected by the Office of Pipeline Safety as provided in subsection (F U)(5), to determine the cause or causes of the failure; or
 - ii. That the operator is not required to have the removed portion of pipeline tested by an independent laboratory and instead must conduct testing in its own pipeline testing laboratory, after which the operator may discard the removed portion of pipeline;
- 4. After providing telephonic notice as provided in subsection (F U)(3)(b), the Office of Pipeline Safety shall confirm its notification in writing;
- 5. If the Office of Pipeline Safety directs testing by an independent laboratory:
 - a. The Office of Pipeline Safety shall:
 - i. Determine, as provided in subsection (F U)(6), the independent laboratory that will do the testing and the period of time within which the testing is to be completed;
 - ii. No change
 - iii. No change
 - b. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
- 6. In determining an independent laboratory to perform testing required under subsection (F U), the Office of Pipeline Safety shall:
 - a. No change
 - b. No change
 - i. No change
 - ii. No change
 - c. No change
 - i. No change
 - ii. No change
 - d. No change
 - No change

~~U.V.~~An operator shall ensure that all repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquid, or gas complies with this Article.

~~V.W.~~The Commission may waive compliance with any of the requirements of this Section upon a finding that such a waiver is in the interest of public and pipeline safety.

~~W.X.~~To ensure compliance with the provisions of this Article, 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, electronic files, business methods, and affairs that pertain to the pipeline system operation.

R14-5-203. Pipeline Incident Reports

- A. No change
- B. No change
 - 1. No change
 - a. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. No change
 - h. No change
 - 2. No change
 - a. No change

- i. No change
 - ii. No change
 - iii. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - g. No change
 - 3. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. No change
- C. No change
 - 1. No change
 - a. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - 2. A written incident report concerning a gas pipeline system shall be completed using the following, as applicable, which are incorporated by reference; on file with the Office of Pipeline Safety; and published by and available from PHMSA at East Building, Second Floor, 1200 New Jersey Ave., SE, Washington, DC 20590, and at <http://www.phmsa.dot.gov/pipeline/library/forms>:
 - a. Form PHMSA F 7100.1: Incident Report – Gas Distribution System (~~June 2011~~October 2014), including no future editions or amendments;
 - b. Form PHMSA F 7100.2: Incident Report – Natural and Other Gas Transmission and Gathering Pipeline Systems (~~December 2012~~October 2014), including no future editions or amendments; or
 - c. Form PHMSA F 7100.3: Incident Report – Liquefied Natural Gas (LNG) Facilities (~~June 2011~~October 2014), including no future editions or amendments.
 - 3. An operator of an intrastate pipeline transporting hazardous liquid shall file a written incident report completed using Form PHMSA F 7000-1: Accident Report – Hazardous Liquid Pipeline Systems (~~December 2012~~July 2014), including no future editions or amendments, which is incorporated by reference, on file with the Office of Pipeline Safety, and published by and available from PHMSA as set forth in subsection (C)(2), any time the operator would have been required to make a notification as required under R14-5-203(B)(2).
 - 4. A written incident report required by this Section shall be filed with the Office of Pipeline Safety within the time specified below:
 - a. For an LNG or gas - incident, within 20 days after detection; and
 - b. No change
 - 5. No change
 - 6. After an incident involving shutdown or partial shutdown of a master meter system, an operator of a gas pipeline system shall request and obtain a clearance from the Office of Pipeline Safety before turning on or reinstating service to a the master meter system or portion of the master meter system that was shut down.

R14-5-204. Annual Reports

- A. An operator of an intrastate pipeline shall file with the Office of Pipeline Safety, not later than March 15, for the preceding calendar year, an annual report completed using one of the following, as applicable, which are incorporated by reference; on file with the Office of Pipeline Safety; and published by and available from PHMSA as provided in R14-5-



203(C)(2):

- 1. Form PHMSA F 7000-1.1: Annual Report for Calendar Year 20__ Hazardous Liquid Pipeline Systems (June ~~2014~~2014), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form;
- 2. Form PHMSA F 7100.1-1: Annual Report for Calendar Year 20__ Gas Distribution System (~~January 2014~~ May 2015), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form;
- 3. Form PHMSA F 7100.2-1: Annual Report for Calendar Year 20__ Natural and Other Gas Transmission and Gathering Pipeline Systems (~~December 2012~~ October 2014), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form; or
- 4. Form PHMSA F 7100.3-1: Annual Report for Calendar Year 20__ Liquefied Natural Gas (LNG) Facilities (~~June 2014~~ October 2014), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form.

B. No change

R14-5-205. Commission Investigations

A. No change

B. While investigating an incident, accident, or event, the Commission; or an authorized agent of the Commission may:

- 1. No change
- 2. No change
- 3. No change
- 4. No change
- 5. No change
- 6. No change

R14-5-207. Master Meter System Operators

A. No change

B. An operator of a master meter system shall comply with this Section as a condition of receiving service from a provider. Noncompliance with this Section by an operator of a master ~~meters~~ meter system constitutes grounds for termination of service by the provider when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the provider oral instructions to terminate service, with written confirmation to be furnished within 24 hours.

C. No change

D. No change

- 1. No change
- 2. No change

E. No change

- 1. No change
- 2. No change
 - a. No change
 - b. No change
 - c. No change

F. No change

G. No change

H. No change

I. No change

J. No change

K. No change

L. No change

- 1. No change
- 2. No change
- 3. No change
- 4. No change

M. No change

N. No change

- 1. No change
- 2. No change
- 3. No change
- 4. No change

O. No change

- 1. No change
- 2. No change
- 3. No change
- 4. No change



- P. In the event of an unknown failure of a gas pipeline resulting in a master meter system operator's being required to provide a report under subsection (Q) and in the operator's removing a portion of the failed pipeline, the following shall occur:
1. No change
 2. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 3. No change
 - a. No change
 - b. No change
 - i. No change
 - ii. No change
 4. No change
 5. No change
 - a. No change
 - i. No change
 - ii. No change
 - iii. No change
 - b. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 6. No change
 - a. No change
 - b. No change
 - i. No change
 - ii. No change
 - c. No change
 - i. No change
 - ii. No change
 - d. No change
- Q. No change
1. No change
 - a. No change
 - i. No change
 - ii. No change
 - iii. No change
 - iv. No change
 - v. No change
 - vi. No change
 - vii. No change
 - viii. No change
 - b. No change
 - c. An event involving permanent or temporary discontinuance of service to a master meter system or any portion of a master meter system due to a failure of a leak test or for any purpose other than to perform routine maintenance; or
 - d. No change
 2. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. No change



- 3. No change
- R. No change
- S. To ensure compliance with all applicable provisions of this Article, 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, electronic files, business methods, and affairs that pertain to the operation of the master meter system.