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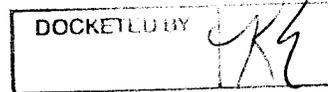
Susan Bitter Smith – Chairman
Arizona Corporation Commission
1200 West Washington St.
Phoenix, AZ 85007-2927

Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

JAN 19 2016

RE: Docket No. RG-00000A-15-0098



Dear Chairman Smith,

Spectrum LNG owns Desert Gas and the liquefied natural gas plant in Ehrenberg, AZ. We have the following comments regarding proposed changes to Arizona Administrative Code R14-5-202 in the ACC Pipeline Safety Rules. We are concerned about the proposed 100% X-ray requirement for LNG facilities, and our concerns are numerous so I'll list them individually:

1. The notices were mailed to our old office address. This is frustrating because I personally changed our mailing address with the Pipeline Safety office during the resolution of docket G-20923A-15-0030. I did this at the very beginning of the docket yet the NPRM was still sent to the old address. We were never given the opportunity to be heard on the matter.
2. This rule change only impacts two operators in the State, we have spoken with ALT who owns the Topock plant and they were as surprised as we are.
3. We don't understand why the State of Arizona feels the need to modify Federal Code 49CFR193.2303 when the other 49 States accept it? We don't see the rationale for this change and wonder what safety or economic data was relied upon for this change? Without doubt the LNG industry is being singled out and to our knowledge there has been no pipe weld failure to even suggest this change is needed. This change, if implemented will give pause to other LNG investments that may be made in Arizona.
4. We take issue with statements made at the hearing on June 18th that suggest this rule making was required only to maintain compliance with the Federal code and that if it wasn't passed, that funding would be at risk. The notion that funding would be at risk if the ACC didn't adopt the Federal code might be correct, but to suggest that funding would be at risk if ACC didn't modify the federal code is false and deceptive. Should the enforcement department be allowed to write the rules? This is a public policy issue and should be treated as such.
5. This change impacts ongoing work we have in progress. On July 20th we submitted a package to the Pipeline Safety office advising of a modification to our plant. We took this proactive measure as part of the ACC approved settlement agreement docket G-20923A-15-0030 even though the agreement hadn't been formally approved by the ACC yet. The point is that on July

22nd Pipeline Safety replied with an email that approved our very thorough package for a compressor installation. Section 5.1.3 specifically states the X-ray strategy for the package which was approved and we have now completed the construction of this package. Installation is underway and we would like to avoid a conflict over the X-ray requirements for this ACC staff approved project. We have other projects in process as well that this rule will impact.

6. Item 3 in the now approved agreement specifically addresses future testing of welds. During the negotiations for the settlement, ACC Staff had argued for 100% testing on all future welds. The settlement included 100% testing on ONLY the welds that were the cause of the complaint, NOT all future welds.
7. This has a significant economic impact. I would like to know if the ACC has calculated the increased cost of future expansion for LNG plant owners and considered how this action will stymie growth.
8. In general, rules, regulations, or statutes are created by one body and enforced by others. Was the source for this rule the same as the enforcement? Is there any check and balance in the process?
9. Our plant integrates several skid-mounted packaged compressors and a few other pre-fabricated skids with pipe on them. These packages can be installed and removed and are always manufactured elsewhere. Is all of the on-skid piping subject to this rule? If so, this will preclude us from being able to use packaged compressors and systems without having them built according to the rule. The gas producing states have thousands of these units in operation and don't have the 100% rule. Did anyone think about this?
10. I'm told the upshot to this is the elimination of a particular exception provided in NFPA 59A 6.6.3.2. I'm not challenging the expertise of the ACC, but I would like to understand why NFPA provided the exception and ACC thinks they erred in doing so, and the basis for ACC rules which exceed the Federal USDOT PHMSA code and the American National Standards Institute piping codes which are the industry standard throughout the industrialized world.

We appreciate your consideration.

Sincerely,



Raymond R. Latchem
President

cc: Bob Stump
Bob Burns
Doug Little
Tom Forese
Robert Marvin