



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue SE
Washington DC 20590

2011 Natural Gas State Program Evaluation

for

ARIZONA CORPORATION COMMISSION, Office of Pipeline Safety

Document Legend

PART:

- O -- Representative Date and Title Information
- A -- Progress Report and Program Documentation Review
- B -- Program Inspection Procedures
- C -- Program Performance
- D -- Compliance Activities
- E -- Incident Investigations
- F -- Damage Prevention
- G -- Field Inspections
- H -- Interstate Agent State (If Applicable)
- I -- 60106 Agreement State (If Applicable)



2011 Natural Gas State Program Evaluation -- CY 2011
Natural Gas

State Agency: Arizona

Agency Status:

Date of Visit: 05/08/2012 - 07/10/2012

Agency Representative: Robert Miller, Pipeline Safety Supervisor
Alan Borne, Senior Pipeline Safety Supervisor

PHMSA Representative: Glynn Blanton, USDOT/PHMSA State Programs- Office Visit May 8-11, 2012
Jim Anderson, USDOT/PHMSA State Programs- Field Visit July 10, 2012

Commission Chairman to whom follow up letter is to be sent:

Name/Title: Gary Pierce, Chairman
Agency: Arizona Corporation Commission
Address: 1200 West Washington, 2nd Floor
City/State/Zip: Phoenix, Arizona 85007

Rating:

60105(a): Yes **60106(a):** No **Interstate Agent:** Yes

INSTRUCTIONS:

Complete this evaluation in accordance with the Procedures for Evaluating State Pipeline Safety Program. The evaluation should generally reflect state program performance during CY 2011 (not the status of performance at the time of the evaluation). All items for which criteria have not been established should be answered based on the PHMSA representative's judgment. A deficiency in any one part of a multiple part question should be scored as needs improvement. Determine the answer to the question then select the appropriate point value. If a state receives less than the maximum points, include a brief explanation in the space provided for general comments/regional observations. If a question is not applicable to a state, select NA. Please ensure all responses are COMPLETE and ACCURATE, and OBJECTIVELY reflect state program performance. Increasing emphasis is being placed on performance. This evaluation together with selected factors reported in the state's annual progress report attachments provide the basis for determining the state's pipeline safety grant allocation.

Field Inspection (PART G):

The field inspection form used will allow different areas of emphasis to be considered for each question. Question 13 is provided for scoring field observation areas. In completing PART G, the PHMSA representative should include a written summary which thoroughly documents the inspection.

Scoring Summary

PARTS

Possible Points Points Scored

A	Progress Report and Program Documentation Review	10	10
B	Program Inspection Procedures	15	15
C	Program Performance	41	40
D	Compliance Activities	14	14
E	Incident Investigations	9	9
F	Damage Prevention	8	8
G	Field Inspections	9	9
H	Interstate Agent State (If Applicable)	7	7
I	60106 Agreement State (If Applicable)	0	0

TOTALS

113 112

State Rating 99.1

PART A - Progress Report and Program Documentation Review

Points(MAX) Score

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|----------|---|---|---|
| 1 | Accuracy of Jurisdictional Authority and Operator/Inspection Units Data - Progress Report Attachment 1 (A1a)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

All information entered into Attachment 1 was correct. A review of their records indicated all inspection units matched the records described in the progress report attachments. Information on Attachment 3 is consistent with the operator unit totals on Attachment 1. No areas of concerns were found or noted.

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|----------|--|---|---|
| 2 | Review of Inspection Days for accuracy - Progress Report Attachment 2 (A1b)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Reviewed inspection days for accuracy on attachment 2 with their office records and found the information was correct. No areas of concerns were found.

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| 3 | Accuracy verification of Operators and Operators Inspection Units in State - Progress Report Attachment 3 (A1c)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Reviewed operator list and inspection units and found attachment 3 is correct with Arizona Corporation Commission (AZCC) work sheets and files.

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|----------|--|---|---|
| 4 | Were all federally reportable incident reports listed and information correct? - Progress Report Attachment 4 (A1d)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, a review of PHMSA's ODES database indicated four incidents were reported. On attachment 4 beside each incident cause description, AZCC provided the NRC incident number.

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| 5 | Accuracy verification of Compliance Activities - Progress Report Attachment 5 (A1e)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Reviewed attachment 5 and checked the accuracy of the information on carryover, violations found, violations corrected and number of carryovers into CY2012. Information was accurate. It was discussed with Program Manager the number of carryovers continues to increase from previous years. Recommend a review of the carryovers be conducted separately or when the inspector performs future inspection activities.

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|----------|---|---|---|
| 6 | Were pipeline program files well-organized and accessible? - Progress Report Attachment 6 (A1f, A4)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, a review of the file room found all major operators file folders were established each year with the inspection report and response letter. All master meter file folders contain all inspection reports from the first inspection performed to current year with response letters from the operator. All reports reviewed support the gas safety program and were well organized.

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|----------|--|---|---|
| 7 | Was employee listing and completed training accurate and complete? - Progress Report Attachment 7 (A1g)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, a detailed review of employees listed on attachment 7 was conducted using a spreadsheet to post the date each individual completed the T&Q courses. This information was compared to the SABE training. Each inspector category was listed correctly.

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| 8 | Verification of Part 192,193,198,199 Rules and Amendments - Progress Report
Attachment 8 (A1h)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

AZCC does not have automatic adoption authority. However, the agency is requesting this in proposed legislative in 2012. Their civil penalty amounts for pipeline safety regulations match the federal amounts and were verified in a review of their state law and regulations. AZCC needs to make in the future an entry into Attachment 8, Part h note section. This pertains to the civil amount for violation of the state damage prevention law. Currently, AZ Law Section 40-360.28 states, "... a person who violates any provision of the article is subject to a civil penalty amount not to exceed five thousand dollars".

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| 9 | List of Planned Performance - Did state describe accomplishments on Progress Report in detail - Progress Report Attachment 10 (H1-3)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, AZCC provided a detailed description of their accomplishments, planned activities and initiatives.

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|-----------|--|-----------|-----------|
| 10 | General Comments:
Info Only = No Points | Info Only | Info Only |
|-----------|--|-----------|-----------|

Evaluator Notes:

It was discussed with Program Manager the number of carryovers continues to increase from previous years. Recommend a review of the carryovers be conducted separately or when the inspector performs future inspection activities. AZCC needs to make in the future an entry into Attachment 8, Part h note section. This pertains to the civil amount for violation of the state damage prevention law.

Total points scored for this section: 10
Total possible points for this section: 10



PART B - Program Inspection Procedures

Points(MAX) Score

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|----------|--|---|---|
| 1 | Standard Inspections (B1a)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, AZCC 2011 Policy and Procedures manual address this item. For Major Operators, Private & Municipal, this is described in Section 5 pages 1 & 2. For Master Meter operators, this is addressed in Section 6, pages 1 & 2.

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| 2 | IMP Inspections (including DIMP) (B1b)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

Yes, they are covered in the Policy and Procedures manual, Section 4, page 1 for Intrastate & page 2 for Interstate.

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|----------|---|---|---|
| 3 | OQ Inspections (B1c)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, they are included in the Policy and Procedures manual. Section 4 pages 1 & 2, (Procedure) Section 5, pages 1 & 2. Master Meter, Section 6, page 6.

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| 4 | Damage Prevention Inspections (B1d)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, they are included in the Policy and Procedures manual, Section 8 & 9 and Arizona Underground Facility Law, Title 40, Chapter 2.

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| 5 | On-Site Operator Training (B1e)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

Yes, they are included in the Policy and Procedures manual, Section 7, page 6.

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|----------|---|---|---|
| 6 | Construction Inspections (B1f)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, they are included in the Policy and Procedures manual. Master meter operators (Policy, Section 6 pages 8, 9 & 10) and (Procedures, Section 7, page 2). Major Operators are covered in Section 4 page 2 and Section 5, pages 3 & 4. Construction activities by operators are also addressed in their state law.

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|----------|--|---|---|
| 7 | Incident/Accident Investigations (B1g)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, this is covered under Section 10 in their 2011 Policy and Procedure Manual.

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| 8 | Does inspection plan address inspection priorities of each operator, and if necessary each unit, based on the following elements? (B2a-d, G1,2,4)
Yes = 6 No = 0 Needs Improvement = 1-5 | 6 | 6 |
|----------|---|---|---|

- | | | | | |
|----|--|--------------------------------------|--------------------------|---|
| a. | Length of time since last inspection | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Operating history of operator/unit and/or location (includes leakage, incident and compliance activities) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| c. | Type of activity being undertaken by operators (i.e. construction) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| d. | Locations of operators inspection units being inspected - (HCA's, Geographic areas, Population Density, etc) | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |

- e. Process to identify high-risk inspection units that includes all threats - (Excavation Damage, Corrosion, Natural Forces, Outside Forces, Material and Welds, Equipment, Operators and any Other Factors)

Yes ☒ No ☐ Needs Improvement ☐

- f. Are inspection units broken down appropriately?

Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

Yes, AZCC considers all of the items listed above into their overall risk management inspection program. They annually inspect all major operators and high risk operators (master meter operators classified as priority 1) each year. All master meter operators classified as priority 2 are inspected on a two year cycle. This process is described in the AZCC Policy and Procedures Manual.

9 General Comments:

Info Only Info Only

Info Only = No Points

Evaluator Notes:

No comments are areas of concern were found.

Total points scored for this section: 15
Total possible points for this section: 15



PART C - Program Performance

Points(MAX) Score

- 1 Was ratio of Total Inspection person-days to total person days acceptable? (Director of State Programs may modify with just cause) Chapter 4.3 (A12) 5 5
Yes = 5 No = 0

A. Total Inspection Person Days (Attachment 2):
1382.50

B. Total Inspection Person Days Charged to the Program (220 X Inspection Person Years) (Attachment 7):
220 X 10.40 = 2288.00

Ratio: A / B
1382.50 / 2288.00 = 0.60

If Ratio \geq 0.38 Then Points = 5, If Ratio $<$ 0.38 Then Points = 0
Points = 5

Evaluator Notes:

A.Total Inspection Person Days (Attachment 2)= 1382.5

B.Total Inspection Person Days Charged to the program(220*Number of Inspection person years(Attachment 7)=2288

Formula:- Ratio = A/B = 1382.5/2288 = 0.6

Rule:- (If Ratio \geq .38 then points = 5 else Points = 0.)

Thus Points = 5

Yes. The ratio was above the required number.

- 2 Has each inspector and program manager fulfilled the T Q Training Requirements? (See Guidelines for requirements) Chapter 4.4 (A8-A11, G19) 5 5
Yes = 5 No = 0 Needs Improvement = 1-4

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|----|--|--------------------------------------|--------------------------|---|
| a. | Completion of Required OQ Training before conducting inspection as lead? | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Completion of Required DIMP*/IMP Training before conducting inspection as lead? *Effective Evaluation CY2013 | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| c. | Root Cause Training by at least one inspector/program manager | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| d. | Note any outside training completed | Yes <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

Yes, all lead inspectors completed OQ training before 2011. Newest inspectors, Brady Sargent and Greg Taylor completed their training in July 2011. Corky Hanson, Ryan Weight, Eric Villa, Alan Borne and Roberta Primera completed Gas IMP before 2011. Robert Miller, Alan Borne and Ryan Weight completed Root Cause analysis in 2010. Corky Hanson, Roberta Primera, and Marion Garcia completed root cause analysis in June/July 2011. All staff members have met the training requirements.

- 3 Did state records and discussions with state pipeline safety program manager indicate adequate knowledge of PHMSA program and regulations? Chapter 4.1,8.1 (A5) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Robert Miller has many years of experience in pipeline safety, understands the requirements in submitting a grant application and payment agreement documents. He serves on several safety committees pertaining to making changes in the pipeline safety regulations and damage prevention laws.

- 4 Did state respond to Chairman's letter on previous evaluation within 60 days and correct or address any noted deficiencies? (If necessary) Chapter 8.1 (A6-7) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, AZCC Chairman's letter to Zach Barrett dated August 5, 2011 was within the 60 days requirement. In regard to lose of points due to not adopting all Federal pipeline amendments within the required time schedule, Chairman Pierce said, "we have initiated a rulemaking process to adopt the most current Federal amendments before the end of 2011." The rulemaking was a success and all federal regulations were adopted before December 31, 2011.

- 5 Did State hold PHMSA TQ Seminar in Past 3 Years? Chapter 8.5 (A3) 2 2

Yes = 2 No = 0

Evaluator Notes:

The last pipeline safety TQ Seminar held was on November 4-5, 2009 in Phoenix, AZ

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| 6 | Did state inspect all types of operators and inspection units in accordance with time intervals established in written procedures? Chapter 5.1 (B3)
Yes = 5 No = 0 Needs Improvement = 1-4 | 5 | 5 |
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Evaluator Notes:

Yes, all operators are inspected in accordance with AZCC written procedures plan. In this regard, all priority one inspection units are inspected each year and all priority two inspection units are inspected every two years. A review of files located in their file room indicates AZCC is completing all sections of the inspection form.

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| 7 | Did inspection form(s) cover all applicable code requirements addressed on Federal Inspection form(s)? Did State complete all applicable portions of inspection forms? Chapter 5.1 (B4-5)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|

Evaluator Notes:

Yes. A review of AZCC inspection forms in the Policy and Procedure document indicated all items in the federal inspection form match their forms. When performing an interstate transmission inspection, they use the federal forms. All proposed inspection forms are reviewed by PHMSA Western Region prior to their use.

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|----------|--|---|----|
| 8 | Did the state review operator procedures for determining if exposed cast iron pipe was examined for evidence of graphitization and if necessary remedial action was taken? (NTSB) Chapter 5.1 (B7)
Yes = 1 No = 0 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

The state does not have any cast-iron pipelines.

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|----------|---|---|----|
| 9 | Did the state review operator procedures for surveillance of cast iron pipelines, including appropriate action resulting from tracking circumferential cracking failures, study of leakage history, or other unusual operating maintenance condition? (Note: See GPTC Appendix G-18 for guidance) (NTSB) Chapter 5.1 (B8)
Yes = 1 No = 0 | 1 | NA |
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Evaluator Notes:

The state does not have any cast-iron pipelines.

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| 10 | Did the state review operator emergency response procedures for leaks caused by excavation damage near buildings and determine whether the procedures adequately address the possibility of multiple leaks and underground migration of gas into nearby buildings Refer to 4/12/01 letter from PHMSA in response to NTSB recommendation P-00-20 and P-00-21? (NTSB) Chapter 5.1 (B9)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

Yes, this is checked during the standard inspection visit. Additionally, this is a requirement by AZCC in their Administrative Law R14-5-202, Section R.

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| 11 | Did the state review operator records of previous accidents and failures including reported third party damage and leak response to ensure appropriate operator response as required by 192.617? Chapter 5.1 (B10,E5)
Yes = 1 No = 0 | 1 | 1 |
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Evaluator Notes:

Yes, this is reviewed and covered in their standard inspection form.

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| 12 | Has the state reviewed Operator Annual reports, along with Incident/Accident reports, for accuracy and analyzed data for trends and operator issues? Data Initiative (G6-9,G16) | 2 | 1 |
|-----------|---|---|---|

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Annual reports are reviewed by staff and Program Manager for accuracy when filed with the agency. Additionally, the annual report is reviewed with the operator during the standard inspection. No spreadsheet or data is maintained about this information. Improvement is needed in this area. One point was deducted.

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| 13 | Did state input all applicable OQ, IMP inspection results into federal database in a timely manner? This includes replies to Operator notifications into IMDB database. Chapter 5.1 (G10-12) | 2 | 2 |
|-----------|--|---|---|

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

A review of the PHMSA Operator Qualification Database indicated twenty-five inspection reports for calendar year 2011 were entered in a timely manner by AZCC staff members. The first entry was January 7th and last entry was November 14th.

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| 14 | Has state confirmed intrastate transmission operators have submitted information into NPMS database along with changes made after original submission? (G14) | 1 | 1 |
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Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

AZCC staff members check the submission and updates by operators into the NPMS database prior to performing their inspections. They use the federal inspection form which addresses this item.

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| 15 | Is the state verifying operators are conducting drug and alcohol tests as required by regulations? This should include verifying positive tests are responded to in accordance with program. 49 CFR 199 (I1-3) | 2 | 2 |
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Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this item is a stand-alone check-list during the standard inspection performed by the inspector.

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| 16 | Is state verifying operators OQ programs are up to date? This should include verification of any plan updates and that persons performing covered tasks (including contractors) are properly qualified and requalified at intervals determined in the operators plan. 49 CFR 192 Part N (I4-7) | 2 | 2 |
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Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this item is located on the federal form used by AZCC staff members.

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| 17 | Is state verifying operator's gas transmission integrity management programs (IMP) are up to date? This should include a previous review of IMP plan, along with monitoring progress on operator tests and remedial actions. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart O (I8-12) | 2 | 2 |
|-----------|--|---|---|

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this item is addressed in the federal form used by AZCC staff members. AZCC conducted hearings in 2011 requiring all gas transmission operators to provide an update on their integrity management programs to their Commissioners and general public. The hearing was conducted on September, 2011 at the AZCC hearing room.

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| 18 | Is state verifying operator's gas distribution integrity management Programs (DIMP)? This should include a review of DIMP plans, along with monitoring progress. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 192 Subpart P | Info Only | Info Only |
|-----------|--|-----------|-----------|

Info Only = No Points

Evaluator Notes:

Yes, in the third quarter of 2011, AZCC requested from all operators they submit their DIMP plan to be reviewed by their agency. The review was a courtesy review and input was provided back to the operator to help identify areas of concerns or strengths. AZCC also moved forward in the development of a DIMP plan for master meter operators. In this regard, a form was develop and provided to all master meter operators to use.

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| 19 | Is state verifying operators Public Awareness programs are up to date and being followed. State should also verify operators have evaluated Public Awareness programs for effectiveness as described in RP1162. 49 CFR 192.616 (I13-16)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|---|---|---|
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Evaluator Notes:

AZCC has performed the effectiveness reviews using the federal inspection form on all operators. They also started the full Public Awareness inspection at the end of 2011 and will continue in calendar year 2012. AZCC reviews the Clearinghouse information prior to performing their inspections.

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| 20 | Does the state have a mechanism for communicating with stakeholders - other than state pipeline safety seminar? (This should include making enforcement cases available to public). (G20-21)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|-----------|---|---|---|
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Evaluator Notes:

Yes, this is accomplished by Arizona Utility Group, Phoenix Light Rail Committee, Arizona One Call Center, AZ Emergency Response Committee Advisory Board and participation with operators in public awareness meetings, Arizona Common Ground Alliance, Damage Prevention Public Awareness Seminars, and other associated organizations and committees dealing with pipeline safety matters. AZCC staff members continue to have quarterly meetings with Southwest Natural Company executive members to discuss common or potential issues on safety, maintenance, operations and on-going projects. Southwest Natural Company represents one million customers in the State of Arizona.

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| 21 | Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 (B6)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|-----------|--|---|----|
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Evaluator Notes:

No safety related condition reports were submitted or filed in CY2011.

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| 22 | Did the State ask Operators to identify any plastic pipe and components that has shown a record of defects/leaks and what those operators are doing to mitigate the safety concerns? (G13)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, all operators are providing information to the PPDC and AZCC on records of defects/leaks and the mitigation of the safety concerns.

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| 23 | Did the state participate in/respond to surveys or information requests from NAPSRS or PHMSA? (H4)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, AZCC is participating in all surveys and inquiries from PHMSA and NAPSRS surveys and questionnaires.

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|-----------|--|-----------|-----------|
| 24 | General Comments:
Info Only = No Points | Info Only | Info Only |
|-----------|--|-----------|-----------|
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Evaluator Notes:

C.12 Annual reports are reviewed by staff and Program Manager for accuracy when filed with the agency. Additionally, the annual report is reviewed with the operator during the standard inspection. No spreadsheet or data is maintained about this information. Improvement is needed in this area. Therefore, a loss of one point occurred.

Total points scored for this section: 40
Total possible points for this section: 41

PART D - Compliance Activities

Points(MAX) Score

- 1 Does the state have written procedures to identify steps to be taken from the discovery to resolution of a probable violation? Chapter 5.1 (B12-14, B16, B1h) 4 4
Yes = 4 No = 0 Needs Improvement = 1-3
- a. Procedures to notify an operator (company officer) when a noncompliance is identified Yes ☒ No ☐ Needs Improvement ☐
- b. Procedures to routinely review progress of compliance actions to prevent delays or breakdowns Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

a. This is addressed in the 2011 Policy & Procedure Manual for major operators in Section 5, page 1 & 5. This is addressed for Master Meter Operators in Section 7, page 3.

b. This is addressed in the 2011 Policy & Procedure Manual for major operators in Section 4, page 5. This is addressed for Master Meter Operators in Section 7, page 4.

Program Manager also maintains a tracking board in his office showing violations cited against all major operators. The tracking board is reviewed daily by Program Manager and staff members.

- 2 Did the state follow compliance procedures (from discovery to resolution) and adequately document all probable violations, including what resolution or further course of action is needed to gain compliance? Chapter 5.1 (B11,B18,B19) 4 4
Yes = 4 No = 0 Needs Improvement = 1-3
- a. Were compliance actions sent to company officer or manager/board member if municipal/government system? Yes ☒ No ☐ Needs Improvement ☐

Evaluator Notes:

Yes, this is described in the 2011 Policy and Procedures Manual Section 5, page 1, "All correspondence will be send to the company officer of a major operator or to the city manager/board member if the operator is a municipality". A sample of several inspection reports was conducted in calendar year 2011. The following operator inspection reports were reviewed and found to meet this requirement. Listed below is the operators checked:

City of Benson

City of Glendale field Operations

City of Mesa

City of Safford

City of Willcox

Gendale High School

Southwest Gas Corporation

- 3 Did the state issue compliance actions for all probable violations discovered? (B15) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

A review of AZCC file room was performed. We pulled individual inspection reports performed in 2011 and check each inspection form. Where a violation was cited, we checked the response letter and date from the operator and the final close of the violation. All reports indicate compliance action was taken in accordance with AZCC procedures and regulations.

- 4 Did compliance actions give reasonable due process to all parties? Including "show cause" hearing if necessary. (B17, B20) 2 2
Yes = 2 No = 0

Evaluator Notes:

AZCC 2011 Policy and Procedure Manual, Section 5, page for Major Operators and Section 7, page 3 for Master Meter operators addresses this item. All operators have an opportunity to request a hearing if they object to the violation(s) found or indicated on the pipeline safety inspection report. A show cause hearing date is established and both parties will file testimony before the formal hearing is conducted. An Administrative Law Judge will hear the case and render a decision on the finding of facts in the case.

- 5 Is the program manager familiar with state process for imposing civil penalties? Were civil penalties considered for repeat violations (with severity consideration) or violations resulting in incidents/accidents? (describe any actions taken) (B27) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Mr. Miller provided a description of the procedure in imposing a civil penalty against an operator for non-compliance of the pipeline safety regulations. He is familiar with the show case and hearing processes. In 2008, a civil penalty was issued and collected from Southwest Gas Company in the amount of \$85,000.

- 6 Can the State demonstrate it is using their enforcement fining authority for pipeline safety violations? (new question) Info Only Info Only
Info Only = No Points

Evaluator Notes:

Yes, AZCC issued a civil penalty in the amount of \$85,000 against Southwest Gas Company in 2008. A violation, section 192.614, was cited after an incident occurred resulted in Southwest Gas Company failure to adequately check all buildings in the area in accordance with their emergency procedures.

- 7 General Comments: Info Only Info Only
Info Only = No Points

Evaluator Notes:

Total points scored for this section: 14
Total possible points for this section: 14



PART E - Incident Investigations

Points(MAX) Score

- | | | | |
|----------|---|---|---|
| 1 | Does state have adequate mechanism to receive and respond to operator reports of incidents, including after-hours reports? And did state keep adequate records of Incident/Accident notifications received? Chapter 6 (A2,D1-3)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
| a. | Acknowledgement of MOU between NTSB and PHMSA (Appendix D) | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Acknowledgement of Federal/State Cooperation in case of incident/accident (Appendix E) | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

Yes, AZCC regulation Section R 14-5-203 requires the operator to notify the agency on any leak or incident. AZCC has a process in place that is described in their Policy & Procedures Manual regarding notification from operator during and after working hours. Mr. Miller is familiar with the MOU's between NTSB and PHMSA. These MOU's are in their 2011 Policy & Procedures Manual.

- | | | | |
|----------|---|---|---|
| 2 | If onsite investigation was not made, did state obtain sufficient information from the operator and/or by other means to determine the facts to support the decision to not go on-site? Chapter 6 (D4)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

In 2011, four incidents occurred and were investigated by AZCC. They were City of Mesa, Southwest Gas Company, El Paso Natural Gas and Transwestern Pipeline Company. The City of Mesa involved a third party damage, Southwest Gas Company pertained to a loss of natural gas that affected 20,000 Arizona natural gas customer, El Paso Natural Gas incident was due to a recoating of a 30" pipeline that resulted in a failure and Transwestern Pipeline incident resulted in a pinhole leak on a 30" pipeline. No injuries occurred on these incidents. AZCC 2011 Policy & Procedures manual section 10 provides a detailed description of the action to be taken by all staff members in responding to and the investigation of all incidents.

- | | | | |
|----------|--|---|---|
| 3 | Were all incidents investigated, thoroughly documented, and with conclusions and recommendations? (D5)
Yes = 3 No = 0 Needs Improvement = 1-2 | 3 | 3 |
| a. | Observations and document review | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| b. | Contributing Factors | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |
| c. | Recommendations to prevent recurrences when appropriate | Yes <input checked="" type="radio"/> No <input type="radio"/> | Needs Improvement <input type="radio"/> |

Evaluator Notes:

Yes, a review of the investigation files for City of Mesa, Southwest Gas Company, El Paso Natural Gas and Transwestern Pipeline Company indicated a thorough investigation was performed. Detailed information on correspondence to the operators and corrective action was recorded in the file documents.

- | | | | |
|----------|--|---|---|
| 4 | Did the state initiate compliance action for violations found during any incident/accident investigation? (D6)
Yes = 1 No = 0 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

No violations were found after an in-depth review of each incident.

- | | | | |
|----------|--|---|---|
| 5 | Did the state assist region office by taking appropriate follow-up actions related to the operator incident reports to ensure accuracy and final report has been received by PHMSA? (validate report data from operators concerning incidents/accidents and investigate discrepancies) Chapter 6 (D7)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

Yes, AZCC has provided information to PHMSA Western Region on all incident reports when requested.

- | | | | |
|----------|--|---|---|
| 6 | Does state share lessons learned from incidents/accidents? (sharing information, such as: at NAPSR Region meetings, state seminars, etc) (G15) | 1 | 1 |
|----------|--|---|---|

Yes = 1 No = 0

Evaluator Notes:

Yes, Robert Miller provided a detailed summary of the four incidents that occurred in 2011 at NAPSR Western Region Meeting. Several questions were asked about the Southwest Gas Company low pressure issue and the pinhole leak located on Transwestern Pipeline Company's facility..

7 General Comments:

Info OnlyInfo Only

Info Only = No Points

Evaluator Notes:

No areas of concern were noted in this section.

Total points scored for this section: 9
Total possible points for this section: 9



PART F - Damage Prevention

Points(MAX) Score

- | | | | |
|---|---|---|---|
| 1 | Has the state reviewed directional drilling/boring procedures of each pipeline operator or its contractor to determine if they include actions to protect their facilities from the dangers posed by drilling and other trench less technologies? NTSB (E1)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|---|---|---|

Evaluator Notes:

Yes, AZCC standard inspection form has this item listed. Additionally, this item is included in their in-house training course manual, Section 13.

- | | | | |
|---|--|---|---|
| 2 | Did the state inspector check to assure the pipeline operator is following its written procedures pertaining to notification of excavation, marking, positive response and the availability and use of the one call system? (E2)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

Yes, AZCC uses the federal inspection form and this item is listed on page 5 of the Standard Distribution Inspection.

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|---|---|---|---|
| 3 | Did the state encourage and promote practices for reducing damages to all underground facilities to its regulated companies? (i.e. such as promoting/adopting the CGA Best Practices encouraging adoption of the 9 Elements, etc.) (E3)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|---|---|---|

Evaluator Notes:

Yes, this was presented and discussed at seminars, monthly meetings with stakeholder members and distribution of the DVD entitled, " Caution Facilities Below".

- | | | | |
|---|--|---|---|
| 4 | Has the agency or another organization within the state collected data and evaluated trends on the number of pipeline damages per 1,000 locate requests? (This can include DIRT and other data shared and reviewed by the pipeline safety program) (E4,G5)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

Yes, AZCC maintains a spreadsheet showing the number of damages reported from three major pipeline operators, City of Mesa, Southwest Gas Company & UniSource. These three operators represent the majority of the metropolitan areas in the State of Arizona. AZCC staff reviews the data and trends.

- | | | | |
|---|--|-----------|-----------|
| 5 | General Comments:
Info Only = No Points | Info Only | Info Only |
|---|--|-----------|-----------|

Evaluator Notes:

No comments or areas of concern.

Total points scored for this section: 8
Total possible points for this section: 8

PART G - Field Inspections

Points(MAX) Score

- 1 Operator, Inspector, Location, Date and PHMSA Representative Info Only Info Only
Info Only = No Points

Name of Operator Inspected:

Arizona Public Service

Name of State Inspector(s) Observed:

Mike Bell and Brady Sargent

Location of Inspection:

Phoenix, AZ

Date of Inspection:

July 10, 2012

Name of PHMSA Representative:

Jim Anderson

Evaluator Notes:

AZ Public Service is an electric company that operates a less than 2 mile transmission line from El Paso Gas to their power plant.

- 2 Was the operator or operator's representative notified and/or given the opportunity to be present during inspection? (F2) 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes. Andrew Federico, APS Engineer III, was ready and available for the inspection.

- 3 Did the inspector use an appropriate inspection form/checklist and was the form/checklist used as a guide for the inspection? (New regulations shall be incorporated) (F3) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

The AZ CC inspector used their own inspection form that mirrors the federal inspection form with additional questions that covered state requirements.

- 4 Did the inspector thoroughly document results of the inspection? (F4) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes. Mike Bell was very thorough while conducting the inspection.

- 5 Did the inspector check to see if the operator had necessary equipment during inspection to conduct tasks viewed? (Maps, pyrometer, soap spray, CGI, etc.) (F5) 1 NA
Yes = 1 No = 0

Evaluator Notes:

N/A - the inspection consisted of procedures and records review.

- 6 Did the inspector adequately review the following during the field portion of the state evaluation? (check all that apply on list) (F7) 2 2
Yes = 2 No = 0 Needs Improvement = 1

a. Procedures ☒

b. Records ☒

c. Field Activities ☐

d. Other (please comment) ☐

Evaluator Notes:

- 7 Did the inspector have adequate knowledge of the pipeline safety program and regulations? (Evaluator will document reasons if unacceptable) (F8) 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes. Mike Bell was very knowledgeable with the pipeline safety program.

- 8 Did the inspector conduct an exit interview? (If inspection is not totally complete the interview should be based on areas covered during time of field evaluation) (F9) 1 NA
Yes = 1 No = 0

Evaluator Notes:

N/A - the inspection was not to be completed until 7/12/2012. Mr. Bell informed APS thoroughly during the inspection of all discovered issues.

- 9 During the exit interview, did the inspector identify probable violations found during the inspections? (if applicable) (F10) 1 NA
Yes = 1 No = 0

Evaluator Notes:

N/A - exit interview was to be conducted on 7/12/2012.

- 10 General Comments: What did the inspector observe in the field? (Narrative description of field observations and how inspector performed) Best Practices to Share with Other States - (Field - could be from operator visited or state inspector practices) Other. Info Only Info Only
Info Only = No Points

- | | |
|--------------------------------------|-------------------------------------|
| a. Abandonment | <input type="checkbox"/> |
| b. Abnormal Operations | <input checked="" type="checkbox"/> |
| c. Break-Out Tanks | <input type="checkbox"/> |
| d. Compressor or Pump Stations | <input type="checkbox"/> |
| e. Change in Class Location | <input type="checkbox"/> |
| f. Casings | <input type="checkbox"/> |
| g. Cathodic Protection | <input type="checkbox"/> |
| h. Cast-iron Replacement | <input type="checkbox"/> |
| i. Damage Prevention | <input checked="" type="checkbox"/> |
| j. Deactivation | <input type="checkbox"/> |
| k. Emergency Procedures | <input type="checkbox"/> |
| l. Inspection of Right-of-Way | <input type="checkbox"/> |
| m. Line Markers | <input type="checkbox"/> |
| n. Liaison with Public Officials | <input checked="" type="checkbox"/> |
| o. Leak Surveys | <input checked="" type="checkbox"/> |
| p. MOP | <input type="checkbox"/> |
| q. MAOP | <input type="checkbox"/> |
| r. Moving Pipe | <input type="checkbox"/> |
| s. New Construction | <input type="checkbox"/> |
| t. Navigable Waterway Crossings | <input type="checkbox"/> |
| u. Odorization | <input type="checkbox"/> |
| v. Overpressure Safety Devices | <input type="checkbox"/> |
| w. Plastic Pipe Installation | <input type="checkbox"/> |
| x. Public Education | <input checked="" type="checkbox"/> |
| y. Purging | <input type="checkbox"/> |
| z. Prevention of Accidental Ignition | <input type="checkbox"/> |
| A. Repairs | <input type="checkbox"/> |
| B. Signs | <input type="checkbox"/> |
| C. Tapping | <input type="checkbox"/> |
| D. Valve Maintenance | <input type="checkbox"/> |

- | | | |
|----|-----------------------------|--------------------------|
| E. | Vault Maintenance | <input type="checkbox"/> |
| F. | Welding | <input type="checkbox"/> |
| G. | OQ - Operator Qualification | <input type="checkbox"/> |
| H. | Compliance Follow-up | <input type="checkbox"/> |
| I. | Atmospheric Corrosion | <input type="checkbox"/> |
| J. | Other | <input type="checkbox"/> |

Evaluator Notes:

Inspected operation procedures and records during the inspection.

Total points scored for this section: 9
Total possible points for this section: 9



PART H - Interstate Agent State (If Applicable)**Points(MAX) Score**

- | | | | |
|----------|---|---|---|
| 1 | Did the state use the current federal inspection form(s)? (C1)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

Yes, AZCC used the federal inspection forms on all inspections performed on interstate transmission pipeline facilities. We reviewed the El Paso Natural Gas, Mojave, North Baja, Southwest Gas Corporation and Transwestern file folders and found the federal form was used on all operators. Information was entered correctly into the form.

- | | | | |
|----------|--|---|---|
| 2 | Are results documented demonstrating inspection units were reviewed in accordance with "PHMSA directed inspection plan"? (C2)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

We reviewed the PHMSA Western Region inspection plan and it agrees with the Interstate Agent program. We found the interstate transmission inspections performed in CY2011 to comply with the requirements in the plan.

- | | | | |
|----------|---|---|---|
| 3 | Did the state submit documentation of the inspections within 60 days as stated in its latest Interstate Agent Agreement form? (C3)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

Yes, a review of the five Interstate Transmission file folders showed the inspection reports were submitted to PHMSA Western Region prior to the 60 day time requirement.

- | | | | |
|----------|--|---|---|
| 4 | Were probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (C4)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

Yes, two probable violations were submitted to PHMSA Western Region. The operator was North Baja Pipeline Company. The violations were 192.605 b8 and 192.615 c.

- | | | | |
|----------|--|---|---|
| 5 | Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (C5)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

No imminent safety hazard conditions were found or reported in 2011.

- | | | | |
|----------|---|---|---|
| 6 | Did the state give written notice to PHMSA within 60 days of all probable violations found? (C6)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|---|---|---|

Evaluator Notes:

Yes, a review of the five Interstate Transmission file folder documents show the inspection reports were submitted to PHMSA Western Region prior to the 60 day time requirement.

- | | | | |
|----------|--|---|---|
| 7 | Did the state initially submit documentation to support compliance action by PHMSA on probable violations? (C7)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|----------|--|---|---|

Evaluator Notes:

Yes, documentation to support their findings was submitted in the inspection report along with photos and other relative information.

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|----------|--|-----------|-----------|
| 8 | General Comments:
Info Only = No Points | Info Only | Info Only |
|----------|--|-----------|-----------|

Evaluator Notes:

No issues, areas of concerns or lost of points in this section.

Total points scored for this section: 7
Total possible points for this section: 7



PART I - 60106 Agreement State (If Applicable)**Points(MAX) Score**

- | | | | |
|----------|--|---|----|
| 1 | Did the state use the current federal inspection form(s)? (B21)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

- | | | | |
|----------|--|---|----|
| 2 | Are results documented demonstrating inspection units were reviewed in accordance with state inspection plan? (B22)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

- | | | | |
|----------|---|---|----|
| 3 | Were any probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) (B23)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

- | | | | |
|----------|---|---|----|
| 4 | Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? (B24)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|---|---|----|

Evaluator Notes:

- | | | | |
|----------|--|---|----|
| 5 | Did the state give written notice to PHMSA within 60 days of all probable violations found? (B25)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

- | | | | |
|----------|--|---|----|
| 6 | Did the state initially submit adequate documentation to support compliance action by PHMSA on probable violations? (B26)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | NA |
|----------|--|---|----|

Evaluator Notes:

- | | | | |
|----------|--|-----------|-----------|
| 7 | General Comments:
Info Only = No Points | Info Only | Info Only |
|----------|--|-----------|-----------|

Evaluator Notes:

Total points scored for this section: 0
Total possible points for this section: 0