



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

1200 New Jersey Avenue SE
Washington DC 20590

2011 Hazardous Liquid 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 -- Accident Investigations
- F -- Damage Prevention
- G -- Field Inspections
- H -- Interstate Agent State (if applicable)
- I -- 60106 Agreement State (if applicable)



2011 Hazardous Liquid State Program Evaluation -- CY 2011
Hazardous Liquid

State Agency: Arizona
Agency Status:
Date of Visit: 05/08/2012 - 07/11/2012
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 11, 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 Street, 2nd Floor
City/State/Zip: Phoenix, Arizona 85007

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	43	40
D Compliance Activities	14	13
E Accident Investigations	8	8
F Damage Prevention	8	6
G Field Inspections	9	9
H Interstate Agent State (if applicable)	7	7
I 60106 Agreement State (if applicable)	0	0
TOTALS	114	108
State Rating		94.7

PART A - Progress Report and Program Documentation Review

Points(MAX) Score

- | | | | |
|---|---|---|---|
| 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 the hazardous liquid operator 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 |
|---|--|---|---|

Evaluator Notes:

Reviewed inspection days for accuracy on attachment 2 in the hazardous liquid program 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 |
|---|--|---|---|

Evaluator Notes:

Reviewed operator names, inspection units and found attachment 3 is correct with Arizona Corporation Commission (AZCC) work sheets and files. Only four hazardous liquid operators provide service in the State of Arizona. One of the four operators is an interstate company.

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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 |
|---|--|---|---|

Evaluator Notes:

Yes, a review of PHMSA's ODES database indicated two incidents were reported. On attachment 4 beside each incident cause description, AZCC provided the NRC incident number. The two incidents reported were from Swissport Fueling with no injuries or fatalities.

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

Evaluator Notes:

We reviewed attachment 5 and checked the accuracy of the information on carryover, violations found, violations corrected and number of carryovers. Information was accurate. All violations found during the year were corrected by the operators.

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

Evaluator Notes:

Yes, a review of the file room found all hazardous liquid operators file folders were established each year with the inspection report and response letter provided in each file folder. All inspection reports reviewed support the hazardous 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 |
|---|--|---|---|

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.



- 8** Verification of Part 195,198,199 Rules and Amendments - Progress Report Attachment 8 (A1h) 1 1
Yes = 1 No = 0 Needs Improvement = .5

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".

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

Evaluator Notes:

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

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

Evaluator Notes:

No areas of concerns or reduction of points was assessed in this section.

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



PART B - Program Inspection Procedures

Points(MAX) Score

1 Standard Inspections (B1a) 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, AZCC 2011 Policy and Procedures manual address this item in Section 5 pages 1 & 2.

2 IMP Inspections (B1b) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, this is covered in the 2011 Policy and Procedures manual, Section 4, page 1 for Intrastate Hazardous Liquid Intrastate operators and & page 2 for Interstate Hazardous Liquid operators.

3 OQ Inspections (B1c) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, this is described in the 2011 Policy and Procedures manual, Section 4 pages 1 & 2.

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

Evaluator Notes:

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

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

Evaluator Notes:

Yes, they are included in the 2011 Policy and Procedures manual, Section 4, page 2.

6 Construction Inspections (B1f) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, they are included in the 2011 Policy and Procedures manual, Section 4, page 2 and Section 5 pages 3 & 4. This item is also listed in AZCC rules & regulations.

7 Incident/Accident Investigations (B1g) 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

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

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) 6 6
 Yes = 6 No = 0 Needs Improvement = 1-5

- | | | | | |
|----|---|--------------------------------------|--------------------------|---|
| 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 area, 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 <input checked="" type="radio"/> | No <input type="radio"/> | Needs Improvement <input type="radio"/> |

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. All hazardous liquid operators are annually inspected. 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 areas of concerns were found or loss of points accessed in this section.

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? 5 5
 Yes = 5 No = 0
 A. Total Inspection Person Days (Attachment 2):
 66.00
 B. Total Inspection Person Days Charged to the Program (220 X Inspection Person Years) (Attachment 7):
 220 X 0.60 = 132.00
 Ratio: A / B
 66.00 / 132.00 = 0.50
 If Ratio >= 0.38 Then Points = 5, If Ratio < 0.38 Then Points = 0
 Points = 5

Evaluator Notes:

A. Total Inspection Person Days (Attachment 2)= 66
 B. Total Inspection Person Days Charged to the program(220*Number of Inspection person years(Attachment 7)=132
 Formula:- Ratio = A/B = 66/132 = 0.5
 Rule:- (If Ratio >=.38 then points = 5 else Points = 0.)
 Thus Points = 5

Yes, the ratio meets the requirement thus the point award is 5.

- 2** Has each inspector and program 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
- a. Completion of Required OQ Training before conducting inspection as lead? Yes No Needs Improvement
 - b. Completion of Required IMP Training before conducting inspection as lead Yes No Needs Improvement
 - c. Root Cause Training by at least one inspector/prgram manager Yes No Needs Improvement
 - d. Note any outside training completed Yes No Needs Improvement

Evaluator Notes:

Yes, reviews of TQ training records indicate Michael Bell, Alan Borne and Garcia Marion have completed the required training courses before conducting an inspection as the lead. All individuals have also completed the root cause training course.

- 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 seminar was held on November 3, 2009 at the Arizona Corporation Commission Office. Number of participants who attend was eleven which represented three of the four operators.

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 hazardous liquid operators are inspected in accordance with AZCC written procedures plan. In this regard, all four operators are inspected annually.

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
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Evaluator Notes:

Yes. A review of the inspections forms contained in the 2011 Policy and Procedure document indicated all items in the federal inspection document match their forms. A review of files located in their file room indicates AZCC is completing all sections of the inspection form. On interstate inspections they use the PHMSA forms. All proposed or suggested inspection form changes are reviewed by the PHMSA Western prior to being implemented.

8	Did the state review operator procedures for determining areas of active corrosion on liquid lines in sufficient detail? (NOTE: PHMSA representative to describe state criteria for determining areas of active corrosion) (B7) Yes = 1 No = 0	1	1
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Evaluator Notes:

Yes, per the AZCC definition, "Active corrosion is continuing corrosion which, unless controlled, may result in a condition that is detrimental to public safety". This is addressed in section 1 page 20 of the 2011 AZCC Policy & Procedures Manual.

9	Did the state adequately review for compliance operator procedures for abandoning pipeline facilities and analyzing pipeline accidents to determine their causes? (NOTE: PHMSA representative to describe state criteria for determining compliance with abandoning pipeline facilities and analyzing pipeline accidents to determine their causes) (B8) Yes = 1 No = 0	1	1
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Evaluator Notes:

Yes, this is identified in the Intrastate Hazardous Liquid Inspection form.

10	Is the state aware of environmentally sensitive areas traversed by or adjacent to hazardous liquid pipelines? (reference Part 195, review of NPMS) (B9) Yes = 1 No = 0	1	1
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Evaluator Notes:

Yes, this is addressed in the AZCC 2011 Policy & Procedures Manual Section 4, pages 1 & 2.

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 195.402(c)(5)? (B10,E5) Yes = 1 No = 0	1	1
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Evaluator Notes:

Yes, this is reviewed in accordance with AZCC 2011 Policy & Procedures Section 4, pages 1 & 2 and Section 5, pages 1 & 2.

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 (G5-8,G15) Yes = 2 No = 0 Needs Improvement = 1	2	1
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Evaluator Notes:

Annual reports are reviewed by staff and Program Manager for accuracy. 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 one point loss occurred.

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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 (G9-12)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|---|---|---|

Evaluator Notes:

Yes, a review of the OQ, IMP Database found all four hazardous liquid operators, Kinder Morgan Products, Swissport Fueling, Arizona Public Service and Plains LPG Services were inspected and the information entered into the database.

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|-----------|--|---|---|
| 14 | Has state confirmed intrastate operators have submitted information into NPMS database along with changes made after original submission? (G13)
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|-----------|--|---|---|

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)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|--|---|---|

Evaluator Notes:

Yes, this is a stand-alone check-list item located in the standard inspection form used 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 195 Part G (I4-7)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|--|---|---|

Evaluator Notes:

Yes, this item is located on the federal form used by AZCC staff members. Each hazardous liquid operator is inspected each year and this item is checked.

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|-----------|--|---|---|
| 17 | Is state verifying operator's hazardous liquid integrity management (L IMP) Programs are up to date? This should include a previous review of LIMP 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 195.452 Appendix C (C8-12)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 0 |
|-----------|--|---|---|

Evaluator Notes:

A review of the 2011 inspection reports and initial integrity management reports, indicate Arizona Public Service Commission, Swissport Fueling, Inc. and Plains LPG were not checked in CY2011. AZCC 2011 Policy & Procedure manual addresses this item in Section 5, page 1. However, this was not checked during the inspection visits. Two point deduction was assessed

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|-----------|---|---|---|
| 18 | 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 195.440 (I13-16)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|---|---|---|

Evaluator Notes:

AZCC has performed the effectiveness reviews using the federal inspection form on all operators. They also started the full Public Awareness inspection using PHMSA form 21 at the end of 2011 and will continue in calendar year 2012. AZCC reviews the Clearinghouse information prior to performing their inspections



- 19** 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). (G19-20) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

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 and other associated organizations and committees dealing with hazardous liquid safety matters.

- 20** Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 (B6) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

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

- 21** Did the state participate in/respond to surveys or information requests from NAPSRS or PHMSA? (H4) 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, AZCC has participated in all surveys and inquiries from PHMSA and NAPSRS surveys and questionnaires on hazardous liquid issues.

- 22** General Comments: Info Only Info Only
 Info Only = No Points

Evaluator Notes:

C-12 Annual reports are reviewed by staff and Program Manager for accuracy. 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 one point loss occurred.

C-17 A review of the 2011 inspection reports and initial integrity management reports, indicate Arizona Public Service Commission, Swissport Fueling, Inc. and Plains LPG were not checked in CY2011. AZCC 2011 Policy & Procedure manual addresses this item in Section 5, page 1. However, this was not checked during the inspection visits. Two point deduction was assessed

Total points scored for this section: 40
 Total possible points for this section: 43



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)
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 4 |
| a. | Procedures to notify an operator (company officer) when a noncompliance is identified | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| b. | Procedures to routinely review progress of compliance actions to prevent delays or breakdowns | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |

Evaluator Notes:

- a. This is addressed in the 2011 Policy & Procedure Manual for major operators in Section 5, page 1 & 5.
- b. This is addressed in the 2011 Policy & Procedure Manual for major operators in Section 4, page 5. Program Manager maintains a tracking board of all violations and it is reviewed daily.

We reviewed the three hazardous liquid operator inspection reports performed in 2011. We noted Plains LPG Services was inspected on March 11, 2011 and 11 violations were cited. Plains LPS Services was notified in an official letter dated on April 11, 2011 and given until May 11, 2011 to response to the violations and take corrective action. On May 2, 2011, Plains LPG Services notified AZCC all 11 violations had been corrected. On May 19, 2011, AZCC closed the violations and notified Plains LPG of this action.

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|----|--|---------------------------|---|
| 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)
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 3 |
| a. | Were compliance actions sent to company officer or manager/board director if municipal/government system? | Yes <input type="radio"/> | No <input type="radio"/> Needs Improvement <input checked="" type="radio"/> |

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". However, a review of correspondence in 2011 to Plains LPS Service indicated the AZCC letter was mailed to Wayne Liles, Facility Supervisor. This individual is not a company officer. A review of the mailing address file indicated the letter should be mailed to Craig Johnson, Division Safety Manager or Calvin Nichol, Regulatory Compliance who are company officers. Needs improvement and therefore, a loss of one point occurred.

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

Evaluator Notes:

We reviewed the three individual inspection reports performed in 2011 and checked each inspection form. Where a violation was cited, we checked the response letter and date from the operator until the violation was closed. 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)
Yes = 2 No = 0 | 2 | 2 |
|---|--|---|---|

Evaluator Notes:

AZCC 2011 Policy and Procedure Manual, Section 5, page 1 & 5 for Hazardous Liquid 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 ruling and forward the information to the Commission. The Commission will make the final decision on 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)
Yes = 2 No = 0 | 2 | 2 |
|---|---|---|---|

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. The last civil penalty assessed against a hazardous liquid operator was Swissport Fueling Inc. in 1997 in the amount of \$65,000. Failure to maintain adequate cathodic protection of their pipeline.

- 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 has issued a civil penalty in the amount of \$65,000 against a hazardous liquid operator. You have demonstrated good procedures to use in their enforcement fining authority. They have always had support from their Commissioners on all proposed civil penalty or enforcement actions.

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

Evaluator Notes:

D.2 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". However, a review of correspondence in 2011 to Plains LPS Service indicated the AZCC letter was mailed to Wayne Liles, Facility Supervisor. This individual is not a company officer. A review of the mailing address file indicated the letter should be mailed to Craig Johnson, Division Safety Manager or Calvin Nichol, Regulatory Compliance who are company officers. Needs improvement and therefore, a loss of one point occurred.

Total points scored for this section: 13
Total possible points for this section: 14



PART E - Accident Investigations

Points(MAX) Score

1 Does state have adequate mechanism to receive and respond to operator reports of accidents, including after-hours reports? And did state keep adequate records of Incident/Accident notifications received? Chapter 6 (A2,D1-3) **2 2**
Yes = 2 No = 0 Needs Improvement = 1

- a. Acknowledgement of MOU between NTSB and PHMSA (Appendix D) Yes No Needs Improvement
- b. Acknowledgement of Federal/State Cooperation in case of incident/accident (Appendix E) Yes No Needs Improvement

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) **1 1**
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

In 2011, two reportable incidents occurred and were investigated by AZCC. They were from the same operator, Swissport Fueling Inc. in Phoenix, AZ. Each incident involved the release of jet fuel. 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 performing the investigation. We reviewed the Swissport Fueling incident file folder pertaining to the incident that occurred on August 26, 2011. The report was very detailed with findings of facts, pictures of the leaking flange and repairs made after the leak. Probable cause of the fuel spill was the failure of a newly installed gasket installed on the flange at Low Point #452.

3 Were all accidents investigated, thoroughly documented, and with conclusions and recommendations? (D5) **3 3**
Yes = 3 No = 0 Needs Improvement = 1-2

- a. Observations and document review Yes No Needs Improvement
- b. Contributing Factors Yes No Needs Improvement
- c. Recommendations to prevent recurrences where appropriate Yes No Needs Improvement

Evaluator Notes:

Yes, a review of the investigation files pertaining to the Swissport Fueling incidents indicated a thorough investigation was performed on each incident. The second incident we reviewed ,dated April 26, 2011, pertained to a spill at one of their break out tanks. This incident occurred due to miss communication between two workers. The company personnel failed to follow their written procedures . AZCC cited the operator for non-compliance with Section 195.402 (a). The operator corrected the violation on July 11, 2011. The violation was closed on July 22, 2011 by AZCC

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

Evaluator Notes:

Yes, a review of the investigation files pertaining to the Swissport Fueling incident that occurred on April 26, 2011 show a violation was cited for non-compliance with Section 195.402 (a). This incident occurred due to miss communication between two workers. The company personnel failed to follow their written procedures .The operator corrected the violation on July 11, 2011. The violation was closed on July 22, 2011 by AZCC.

5 Did the state assist region office by taking appropriate follow-up actions related to the operator accident 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) **1 NA**
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:



N/A. No interstate hazardous liquid accidents occurred in 2011.

6 Does state share lessons learned from incidents/accidents? (sharing information, such as: 1 1
at NAPS Region meetings, state seminars, etc) (G15)
Yes = 1 No = 0

Evaluator Notes:

Yes, Robert Miller provided a detailed summary of the Arizona Natural Gas and Hazardous Liquid program incidents that occurred in 2011 at NAPS Western Region Meeting.

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

Evaluator Notes:

No areas of concerns or loss of points occurred in this section.

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



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? (E1)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 0 |
|----------|--|---|---|

Evaluator Notes:

A review of AZCC 2011 hazardous liquid operator standard inspection form indicates this item was not listed or discussed with the operator. Therefore, a loss of two points occurred.

- | | | | |
|----------|--|---|---|
| 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, this is reviewed during their standard inspection review. We reviewed Swissport Fueling standard inspection report dated November 11, 2011. We found this item was described on page 5. Under Section 195.442, they list all sections of the damage prevention procedures the operator should be following and indicated a satisfactory or unsatisfactory response.

- | | | | |
|----------|---|---|---|
| 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 during their standard inspection visits check the number of damages that occurred on the operator's facilities. This item is review under the operator records review section. In 2011, no damages occurred on any of the three hazardous liquid pipelines located in the State of Arizona.

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

Evaluator Notes:

F. 1 A review of AZCC 2011 hazardous liquid operator standard inspection form indicates this item was not listed or discussed with the operator. Therefore, a loss of two points occurred.

Total points scored for this section: 6
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 11, 2012
 Name of PHMSA Representative:
 Jim Anderson

Evaluator Notes:
 AZ Public Service is an electric company that operates a two mile hazardous liquid pipeline, diesel.

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



- E. Vault Maintenance
- F. Welding
- G. OQ - Operator Qualification
- H. Compliance Follow-up
- I. Atmospheric Corrosion
- J. Other

Evaluator Notes:

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) 1 1
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, they are using the federal standard inspection form for the one hazardous liquid operator they monitor each year. The operator is Kinder Morgan Energy Partners.

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

Evaluator Notes:

Yes, a review of the PHMSA inspection plan provided to AZCC from the PHMSA Western Region indicates the inspection unit is correct.

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

Evaluator Notes:

Yes, a review of the Kinder Morgan inspection file folder indicate the inspection report was completed on November 4, 2011 and submitted to PHMSA Western Region office on December 1 & 6, 2011. The report was submitted to Tom Finch at the Denver, CO office.

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) 1 1
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, in the Kinder Morgan inspection report dated on 10-7-11 to 11-4-11 one violation, Section 195.505 (b,) was cited for non-compliance. This report was provided to PHMSA Western Region office.

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

Evaluator Notes:

Yes.

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

Evaluator Notes:

Yes. We reviewed the Kinder Morgan file folder. AZCC submitted their document before the required 60 day time period from the date of discovery of any probable violations.

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

Evaluator Notes:

Yes. We reviewed the Kinder Morgan file folder and it indicated AZCC submitted all supporting documentation to PHMSA Western Region on the one probable violation within the required time schedule.

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

Evaluator Notes:

No areas of concerns were noted 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) 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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) 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

Evaluator Notes:
AZCC is not a 60106 State Agreement agency.

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

