



U.S. Department  
of Transportation

Pipeline and Hazardous  
Materials Safety  
Administration

1200 New Jersey Avenue, SE  
Washington, D.C. 20590

JUN 22 2010

Mr. Samuel S. Crano  
Administrative Attorney  
State of Nevada  
Public Utilities Commission  
1150 East William Street  
Carson City, Nevada 89701

Dear Mr. Crano:

Pursuant to 49 USC § 60105 and § 60118(d), the Pipeline and Hazardous Materials Safety Administration (PHMSA) reviewed your letter of April 23, 2010, notifying us that the Public Utilities Commission of Nevada (Commission), granted Southwest Gas Corporation (Southwest) a waiver to temporarily deviate from 49 CFR §§ 192.605, 192.745 and 192.747. This waiver will provide Southwest relief from regulations that currently require Southwest to partially operate a certain type of buried steel ball valve during regularly scheduled valve maintenance activities.

Based on the conditions detailed in the waiver, PHMSA does not object to the Commission's grant of the waiver. PHMSA does suggest that the Commission require the conditions of the waiver to be included in Southwest's Operating and Maintenance Manual (O&M Manual) while the waiver is in effect.

If you wish to discuss this response or any other pipeline safety matter, my staff would be pleased to assist you. Please call John Gale, Director of Regulations at 202-366-0434 for regulatory matters or Alan Mayberry, Deputy Associate Administrator for Pipeline Safety, at 202-366-5124 for technical matters. Thank you for your continued efforts in pipeline safety.

Sincerely,

Jeffrey D. Wiese  
Associate Administrator for Pipeline Safety

MAY 03 2010

NORTHERN NEVADA OFFICE  
1150 East William Street  
Carson City, Nevada 89701-3109  
(775) 684-6101 • Fax (775) 684-6110



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April 23, 2010

Jeffery Wiese  
U.S. Department of Transportation  
Pipeline and Hazardous Materials Safety Administration  
East Building, 2nd Floor  
Mail Stop: E24-455  
1200 New Jersey Ave., SE  
Washington, DC 20590  
[phmsa.hm-pipelinesafety@dot.gov](mailto:phmsa.hm-pipelinesafety@dot.gov)

Via email and U.S. Mail

*Re: State Waiver of 49 CFR §§ 192.605, 192.745 and 192.497*

Dear Mr. Wiese,

On June 16, 2009, Southwest Gas Corporation filed a Petition, with the Public Utilities Commission of Nevada designated as Docket No. 09-06018, for a non-emergency special permit to temporarily deviate from certain state and federal pipeline safety regulations.

The Commission conditionally granted the Petition on April 2, 2010, by the attached Order.

Pursuant to 49 CFR § 60118(d) the Commission hereby gives the United States Secretary of Transportation written notice of the pending waiver. If the Commission receives a written objection from the United States Secretary of Transportation on or before June 22, 2010, the Commission will hold further proceedings in this matter as appropriate.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Crano", written over a horizontal line.

Samuel S. Crano  
Administrative Attorney

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Petition of Southwest Gas Corporation for a non- )  
emergency special permit to temporarily deviate from )  
certain state and federal pipeline safety regulations. )  
\_\_\_\_\_ )

Docket No. 09-06018

At a general session of the Public Utilities  
Commission of Nevada, held at its offices  
on March 31, 2010.

PRESENT: Chairman Sam A. Thompson  
Commissioner Rebecca D. Wagner  
Assistant Commission Secretary Nancy Krassner

**ORDER**

The Public Utilities Commission of Nevada ("Commission") makes the following findings of fact and conclusions of law:

**Procedural History**

1. On June 16, 2009, Southwest Gas Corporation ("Southwest") filed a Petition, designated as Docket No. 09-06018, for a non-emergency special permit to temporarily deviate from certain state and federal pipeline safety regulations.

2. This Petition is filed pursuant to 49 USC §60105 and §60118(d); 49 CFR §190.341, 49 CFR §192.605, 49 CFR §192.745, and 49 CFR §192.747; the Nevada Revised Statutes ("NRS") and the NAC, Chapters 703 and 704, including but not limited to NRS 703.150, 703.153, 704.154; and NAC 703.540 and 704.460.

3. On June 17, 2009, Southwest amended its Petition by providing a draft notice as required by the Nevada Administrative Code ("NAC") 703.162.

4. On June 30, 2009, the Commission issued a Notice of Southwest's Petition. The Notice requested that interested persons file comments on the Petition by July 22, 2009. On July 31, 2009, the Regulatory Operations Staff ("Staff") of the Commission filed Comments on Southwest's Petition.

DOCUMENT REVIEW / SIGN OFF

APPROVED BY: Sam Cook

DATE OF REVIEW: 4/1/10 AT 2:00 P.M.

APPROVED BY:

REVIEWER (NAME) \_\_\_\_\_

~~REVIEWER (TITLE)~~ Officer 3/31/10

REVIEWER (SIGNATURE) \_\_\_\_\_

REVIEWER (DATE) \_\_\_\_\_

5 At a duly noticed agenda meeting held on August 3, 2009, the Commission's General Counsel recommended that the Commission issue an order granting Southwest's Petition.

6. The Commission found that Southwest's Petition shows good cause for its requested deviation from NAC 704.460, 49 CFR §192.605, 49 CFR §192.745, and 49 CFR §192.747, and the Petition provides specific references to the provisions from which Southwest seeks to deviate. Furthermore, the Commission found that granting Southwest's Petition is in the public interest and not contrary to statute.

7. On August 11, 2009, the Commission issued an Order setting the Petition for further proceedings, including issuing a request for comments and setting the matter for hearing.

8. On January 27, 2010, a request for comments was issued, and a hearing was set.

9. No comments were received, and the hearing was canceled pursuant to NRS 703.320 (3).

#### **Southwest's Petition**

10. Southwest requests relief from regulations that currently require it to partially operate a certain type of buried steel ball valve during regularly scheduled valve maintenance activities and during emergency operations. Specifically, Southwest seeks a special permit to deviate from NAC 704.460, as well as Chapter 49 of the Code of Federal Regulations ("CFR"), Sections 192.605, 192.745, and 192.747.

11. Southwest states that in early February, 2009, P.B.V. USA, Inc. ("PBV"), the manufacturer of the steel ball valves, notified Southwest's purchasing department that their trunnion-supported steel ball valves manufactured from 1990 through 1997 possess the potential for trunnion and gland cap screw failures if the valves are installed in buried service with applied

cathodic protection. Southwest states that its research of the issue revealed an instance in which a utility in the northwestern United States experienced a serious event when a buried PBV ball valve failed shortly after the valve became operational. PBV's notice to Southwest explains that the steel cap screws used to retain the gland and trunnion on these valves may be susceptible to hydrogen embrittlement should they come in contact with atomic hydrogen. To fix the valves' defects, PBV recommends that Southwest replace the standard high strength steel cap screws on the trunnion and glad cap with lower hardness cap screws, which PBV will supply.

12. Southwest states that it first purchased PBV steel ball valves in 1993. However, the locations of all the PBV valves in Southwest's system are not completely known. Southwest, therefore, proposes a plan under which it will positively identify PBV valves and perform remedial work on each PBV valve discovered. Southwest states that its proposed plan, which requires a waiver of certain safety regulations, will provide an equivalent or improved level of safety for Southwest's employees, customers, and the general public, when compared to continued enforcement of all existing regulations. Southwest further states that granting the requested waiver will have no immediate impact on customers. Southwest indicates that it was recently granted, by the Pipeline and Hazardous Materials Safety Administration ("PHMSA") and the Arizona Corporations Commission, a substantially similar request for a Special Permit in Arizona.

13. Southwest's Petition proposes the following conditions associated with its request:

- a. Southwest's Special Permit is effective through June 30, 2011. Southwest will comply with its proposed special procedure for inspection and annual maintenance of known or suspected PBV valves and will comply with its proposed special procedure for emergency operation of known and suspected PBV valves;

- b. Southwest will provide quarterly updates on the progress of its valve remediation plan to Staff and to the Director of the PHMSA Western Regional Office. The quarterly reports will begin with the calendar year quarter during which the special permit is granted and will continue until the completion of the remediation plan. The quarterly reports must be provided no later than the last day of the month following a calendar quarter;
- c. Southwest will provide to Staff periodic updates on the status of the valve remediation plan during scheduled quarterly meetings and will file a completion report in this docket upon completion of the remediation plan;
- d. If Southwest performs a metallurgical analysis and root cause failure analysis of any PBV trunnion mounted ball valve cap screws, Southwest will provide a copy of the report to Staff and to the Director of the PHMSA Western Regional Office within 30 days of completion of the associated report;

14. The PHMSA's May 1, 2009, letter to Southwest regarding Southwest's request for a waiver in Arizona states that the PHMSA does not object to Arizona's grant of the special waiver, but provides that additional conditions and stipulations must be met. (PHMSA letter is attached to Southwest's Petition as Attachment 4). The PHMSA required the following additional conditions for the non objection to the grant of the special permit:

- a. Southwest must continue to visually inspect the PBV trunnion mounted ball valves as required by 49 CFR §192.745;
- b. Southwest must conduct leakage surveys of each potentially affected PBV trunnion mounted ball valve using gas detector equipment at least four times each calendar year at intervals not exceeding 4 ½ months. Leakage surveys must continue until the valve is repaired, replaced, or determined to be safe;
- c. The Special Permit applies only to normal operations. In the event of an emergency, Southwest must operate each PBV trunnion mounted ball valve required to shut down the pipeline in compliance with 49 CFR Part 192. Each suspect PBV trunnion mounted ball valve operated during an emergency must be checked for leakage as soon as possible after it has been operated and again the next day to confirm the integrity of the valve;
- d. Southwest must designate alternate valves to be operated in an emergency, in the event one of the suspect PBV trunnion mounted ball valves fails to perform an adequate shutdown of the pipeline;

- e. Within 30 days of receipt of the Special Permit, SWG must update its operations and maintenance (O&M) procedures in accordance with §192.605 to include the conditions of the Special Permit.

### **Staff's Comments**

15. Staff's July 31, 2009 Comments state that Southwest gave Staff a presentation regarding the PBV valve issue on February 27, 2009 and that Staff has analyzed the issue in conjunction with representatives of the United States Department of Transportation. Staff states that it supports Southwest's Petition, but proposes the following conditions as additions or modifications of Southwest's remediation plan and proposed conditions:

- a. Southwest must continue to visually inspect the PBV trunnion mounted ball valves as required by 49 CFR 192.745 and 192.747;
- b. Southwest must conduct leak surveys of each potentially affected PBV trunnion mounted ball valve using gas detector equipment as follows: (a) For class location 1 and 2, the leak survey shall be performed quarterly not to exceed 30 days; and (b) For class location 3 and 4, the leak survey shall be performed monthly not to exceed 15 days. Leakage surveys must continue until the valve is repaired, replaced or determined to be safe;
- c. The Special Permit applies only to normal operations. In the event of an emergency, Southwest must operate each PBV trunnion mounted ball valve required to shut down the pipeline in compliance with 49 CFR Part 192. Each suspect PBV trunnion mounted ball valve operated during an emergency must be checked for leakage as soon as possible after it has been operated and again the next day to confirm the integrity of the valve;
- d. Southwest must designate and document alternate valves to be operated in an emergency, in the event one of the suspect PBV trunnion mounted ball valves fails to perform an adequate shutdown of the pipeline during normal and emergency operations.

Staff's proposed conditions are substantially similar to those proposed by the PHMSA, except that they establish a tiered and more restrictive schedule for leak surveys to be conducted and exclude the requirement that Southwest update its operations and maintenance procedures. Staff recommends that the Commission set Southwest's Petition for further proceedings.

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### **Commission Discussion and Findings**

16. Nevada Revised Statute ("NRS") 703.153 authorizes the Commission to enter into an agreement with the United States Secretary of Transportation ("Secretary") allowing the Commission, following a certification process, to conduct inspections as an agent of the United States Department of Transportation ("USDOT") to ensure compliance with federal statutes and regulations governing the safety of storage facilities and interstate pipelines that transport, among other things, natural gas.

17. In accordance with NRS 703.153, the Commission annually applies for and obtains certification under 49 United States Code ("USC") §60105 to enforce the federal intrastate pipeline safety regulations. Subsection (d) of 49 USC §60118 authorizes the Commission, while in possession of a current USDOT certification, to waive compliance with a safety standard in the same manner as the Secretary, provided the Commission gives the Secretary 60 days notice and the Secretary files no objection. Subsection (c) of 49 USC §60118 provides that the Secretary may, in a non-emergency, "waive compliance with any part of an applicable standard prescribed under this chapter on terms the Secretary considers appropriate, if the waiver is not inconsistent with pipeline safety." 49 USC §60118 further provides that "the Secretary shall state the reasons for granting a waiver under this subsection" and that "the Secretary may act on a waiver only after notice and an opportunity for a hearing."

18. The Commission finds that Southwest's requested waiver is not "inconsistent with pipeline safety." Rather, it will promote safety by allowing Southwest to repair the susceptible valves within its system that might cause safety issues. Granting a conditional Special Permit to Southwest will help it avoid potential disasters. When compared to the existing regulations, the waiver provides at least an equivalent, and perhaps an improved, level of safety for Southwest's

employees and customers and for the general public. The circumstances of Southwest's request illuminate the reason for allowing waivers in certain situations, as the Commission believes that granting a waiver in this instance is in the public interest and will enhance safety for Southwest's customers and employees.

19. Under NAC 704.460, and pursuant to NRS 703.154, the Commission adopted by reference the federal regulations contained at 49 CFR, Parts 191, 192, 193 and 199. Southwest is specifically requesting relief from 49 CFR §192.605 (procedures), 49 CFR §192.745 (transmission valve maintenance), and 49 CFR §192.747 (distribution valve maintenance).

20. The Commission may grant a deviation from its own regulations pursuant to NAC 703.115 and 704.0097 if good cause for the deviation appears, the person requesting the deviation provides a specific reference to each provision of this chapter from which the deviation is requested, and the Commission finds that the deviation is in the public interest and is not *contrary to statute*.

21. The Commission finds that Southwest's Petition shows good cause for its requested deviation from NAC 704.460, 49 CFR §192.605, 49 CFR §192.745, and 49 CFR §192.747, and the Petition provides specific references to the provisions from which Southwest seeks to deviate. Furthermore, the Commission finds that granting Southwest's Petition is in the public interest and not contrary to statute.

22. In accordance with 49 United States Code §60118(d), the Commission shall give the United States Secretary of Transportation written notice of the pending waiver at least 60 days before its effective date. If the Commission receives a written objection from the United States Secretary of Transportation within the 60 days, the Commission will hold further proceedings in this matter as appropriate.

23. On the condition that the Commission receives no written objection from the United States Secretary of Transportation within 60 days after the Commission provides written notice of the pending waiver, Southwest Gas Corporation's Petition for a non-emergency special permit to temporarily deviate from Nevada Administrative Code 704.460, 49 Code of Federal Regulations §192.605, §192.745, and §192.747 is GRANTED and will become EFFECTIVE in accordance with the following conditions:

a. Southwest's Special Permit is effective through June 30, 2011. Southwest will comply with its proposed special procedure for inspection and annual maintenance of known or suspected PBV valves and will comply with its proposed special procedure for emergency operation of known and suspected PBV valves;

b. Southwest will provide quarterly updates on the progress of its valve remediation plan to Staff and to the Director of the PHMSA Western Regional Office. The quarterly reports will begin with the calendar year quarter during which the special permit is granted and will continue until the completion of the remediation plan. The quarterly reports must be provided no later than the last day of the month following a calendar quarter;

c. Southwest will provide to Staff periodic updates on the status of the valve remediation plan during scheduled quarterly meetings and will file a completion report in this docket upon completion of the remediation plan;

d. If Southwest performs a metallurgical analysis and root cause failure analysis of any PBV trunnion mounted ball valve cap screws, Southwest will provide a copy of the report to Staff and to the Director of the PHMSA Western Regional Office within 30 days of completion of the associated report;

e. Southwest must continue to visually inspect the PBV trunnion mounted ball valves as required by 49 CFR §192.745 and 192.747;

f. Southwest must conduct leak surveys of each potentially affected PBV trunnion mounted ball valve using gas detector equipment as follows: (a) For class location 1 and 2, the leak survey shall be performed quarterly not to exceed 30 days; and (b) For class location 3 and 4, the leak survey shall be performed monthly not to exceed 15 days. Leakage surveys must continue until the valve is repaired, replaced or determined to be safe;

g. The Special Permit applies only to normal operations. In the event of an emergency, Southwest must operate each PBV trunnion mounted ball valve

required to shut down the pipeline in compliance with 49 CFR Part 192. Each suspect PBV trunnion mounted ball valve operated during an emergency must be checked for leakage as soon as possible after it has been operated and again the next day to confirm the integrity of the valve;

h. Southwest must designate and document alternate valves to be operated in an emergency, in the event one of the suspect PBV trunnion mounted ball valves fails to perform an adequate shutdown of the pipeline during normal and emergency operations.

24. Pursuant to NAC 703.115, the Commission finds that good cause exists to allow deviation from the requirements of NAC 703.540 (4), and such deviation is in the public interest.

THEREFORE it is ORDERED that:

1. Southwest Gas Corporation's Petition for a non-emergency special permit to temporarily deviate from certain state and federal pipeline safety regulations

CONDITIONALLY GRANTED in accordance with this Order.

2. In accordance with 49 United States Code §60118(d), hereby gives the United States Secretary of Transportation written notice of the pending waiver. If the Commission receives a written objection from the United States Secretary of Transportation on or before June 15, 2010, the Commission will hold further proceedings in this matter as appropriate.

3. On the condition that the Commission receives no written objection from the United States Secretary of Transportation on or before June 15, 2010, Southwest Gas Corporation's Petition for a non-emergency special permit to temporarily deviate from Nevada Administrative Code 704.460, 49 Code of Federal Regulations §192.605, §192.745, and §192.747 is GRANTED and will become EFFECTIVE in accordance with the following compliance items:

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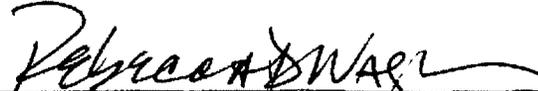
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- b. Southwest will provide quarterly updates on the progress of its valve remediation plan to Staff and to the Director of the PHMSA Western Regional Office. The quarterly reports will begin with the calendar year quarter during which the special permit is granted and will continue until the completion of the remediation plan. The quarterly reports must be provided no later than the last day of the month following a calendar quarter;
- c. Southwest will provide to Staff periodic updates on the status of the valve remediation plan during scheduled quarterly meetings and will file a completion report in this docket upon completion of the remediation plan;
- d. If Southwest performs a metallurgical analysis and root cause failure analysis of any PBV trunnion mounted ball valve cap screws, Southwest will provide a copy of the report to Staff and to the Director of the PHMSA Western Regional Office within 30 days of completion of the associated report;
- e. Southwest must continue to visually inspect the PBV trunnion mounted ball valves as required by 49 CFR §192.745 and 192.747;
- f. Southwest must conduct leak surveys of each potentially affected PBV trunnion mounted ball valve using gas detector equipment as follows: (a) For class location 1 and 2, the leak survey shall be performed quarterly not to exceed 30 days; and (b) For class location 3 and 4, the leak survey shall be performed monthly not to exceed 15 days. Leakage surveys must continue until the valve is repaired, replaced or determined to be safe;
- g. The Special Permit applies only to normal operations. In the event of an emergency, Southwest must operate each PBV trunnion mounted ball valve required to shut down the pipeline in compliance with 49 CFR Part 192. Each suspect PBV trunnion mounted ball valve operated during an emergency must be checked for leakage as soon as possible after it has been operated and again the next day to confirm the integrity of the valve;
- h. Southwest must designate and document alternate valves to be operated in an emergency, in the event one of the suspect PBV trunnion mounted ball valves fails to perform an adequate shutdown of the pipeline during normal and emergency operations.

4. The Commission retains jurisdiction for the purpose of correcting any errors that may have occurred in the drafting or issuance of this Order.

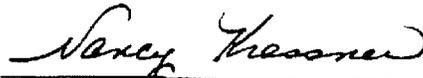
By the Commission,



SAM A. THOMPSON, Chairman



REBECCA D. WAGNER, Commissioner

Attest:   
NANCY KRASSNER  
Assistant Commission Secretary

Dated: Carson City, Nevada

4/2/10  
(SEAL)

