

## NOTICES OF PROPOSED RULEMAKING

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by 1st submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication. Due to time restraints, the Secretary of State's Office will no longer edit the text of proposed rules. We will continue to make numbering and labeling changes as necessary.

Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for adoption, amendment, or repeal of any rule. A.R.S. §§ 41-1013 and 41-1022.

### NOTICE OF PROPOSED RULEMAKING

#### TITLE 4. PROFESSIONS AND OCCUPATIONS

#### CHAPTER 1. BOARD OF ACCOUNTANCY

#### PREAMBLE

1. **Sections Affected**

R4-1-226	<b><u>Rulemaking Action</u></b>
R4-1-345	Amend
	Amend
2. **The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statute: A.R.S. §§ 32-703 and § 41-1072 et seq.  
Implementing statute: A.R.S. §§ 32-723; 32-729 and 32-730
3. **List of all previous notices appearing in the register addressing the proposed rule:**

Notice of Rulemaking Docket Opening: 5 A.A.R. 536, February 19, 1999.
4. **The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name:	Ruth R. Lee, Executive Director
Address:	Arizona State Board of Accountancy 3877 North 7th Street-106 Phoenix, Arizona 85014
Telephone:	(602) 255-3648, Ext. 18
Fax:	(602) 255-1283
5. **An explanation of the rule, including the agency's reasons for initiating the rule:**

The agency budget projection caused the Board to revisit its fee structures.

R4-1-226(C) addresses the need to increase exam fees to ensure the Board can meet its fixed costs for administering the AICPA Uniform CPA exam.

R4-1-345(C) and (D) increase renewal registration fees by \$25 per year or \$50 biennially to meet the Board's increased operating costs. The Board noted the aging population of its registrants who do not pay renewal fees after the age of 65.
6. **A reference to any study that the agency proposes to rely on its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:**

Not applicable.
7. **A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable.

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**8. The preliminary summary of the economic, small business, and consumer impact:**

The economic, small business and consumer impact would be minimal. Some certified public accountant firms reimburse an employee's exam fee if that employee passes the exam. Renewal registration fees for registrants are often paid by employers as a job perk. The economic impact is minimal in both cases in light of the benefits to the business operation.

**9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**

Name: Ruth R. Lee, Executive Director  
Address: Arizona State Board of Accountancy  
3877 North Seventh Street-106  
Phoenix, Arizona 85014  
Telephone: (602) 255-3648, Ext. 18  
Fax: (602) 255-1283

**10. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

Date: Monday, June 7, 1999  
Time: 1:30 p.m.  
Location: Arizona State Board of Accountancy  
3877 North Seventh Street-106  
Phoenix, Arizona 85014  
Nature: Oral Proceeding

**11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**

Not applicable.

**12. Incorporations by reference and their location in the rule:**

None.

**13. The full text of the rules follows:**

**TITLE 4. PROFESSIONS AND OCCUPATIONS**

**CHAPTER 1. BOARD OF ACCOUNTANCY**

**ARTICLE 2. CPA EXAMINATION**

Section  
R4-1-226. Applications; Examination

**ARTICLE 3. CERTIFICATION AND REGISTRATION**

R4-1-345. Registration; Fees, Certificate Renewal

**ARTICLE 2. CPA EXAMINATION**

**R4-1-226. Applications; Examination**

- A. No Change.  
B. No Change.  
C. Application fees: Each applicant shall pay an examination fee pursuant to A.R.S. § 32-729 in the following amount:
1. Initial applicants: For an initial examination where the applicant has not previously filed an application in Arizona for the examination, ~~\$175~~ 225.
  2. Retake noncondition applicants: For an examination where the retake applicant has no condition, ~~\$175~~ 225. (See also R4-1-230).
  3. Retake condition applicants: For an examination where the retake applicant has a condition from this state, ~~\$50~~ 75 for each section of the examination which has not been successfully completed. (See also R4-1-229).

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- 4. Out-of-state candidates: All candidates applying through a state other than Arizona, but sitting for the examination in Arizona, shall pay the applicable fee set forth in subsections (C)(1), (2), or (3).
5. Refunds:
a. The Board shall refund 1/2 of the examination fee if a written notice of withdrawal is received in the Board office no later than 5 p.m. on the last day for filing.
b. The Board may refund 1/2 of the examination fee to an applicant who makes a written request in which good cause is shown. Good cause includes permanent or partial disability, illness or other physical or mental condition, military service, or financial hardship which prevented the applicant from appearing for the examination.
c. Except as provided in subsection (C)(5)(b), the full fee is forfeited by an applicant who withdraws after the final date for filing applications or who fails to appear for the examination.
D. No Change.
E. No Change.

ARTICLE 3. CERTIFICATION AND REGISTRATION

R4-1-345. Registration; Fees; Certificate Renewal

- A. No Change.
B. No Change.
1. No Change.
a. No Change.
b. No Change.
2. No Change.
a. No Change.
b. No change.
C. Registration fees for individuals: The biennial registration fee for each certified public accountant and each public accountant is \$150 200 per registration period. The registration fee shall be prorated by month for initial registration periods of less than 2 years.
D. Registration fees for firms: The biennial registration for each certified public accountant or public accountant firm is \$150 200 per registration period.
E. No Change.
F. No Change.

NOTICE OF PROPOSED RULEMAKING

TITLE 15. REVENUE

CHAPTER 3. DEPARTMENT OF REVENUE

LUXURY TAX SECTION

PREAMBLE

Editor's note: This Notice of Proposed Rulemaking is being reprinted due to errors that were inadvertently made in some sections at the time of publication in the April 23, 1999, issue of the Register. The errors have been corrected in this notice. The Register Editor apologizes for the errors and any inconvenience they may have caused.

- 1. Sections Affected Rulemaking Action
R15-3-401 Amend
R15-3-402 Amend
R15-3-403 Repeal
R15-3-403 New Section
R15-3-404 Repeal
R15-3-405 Repeal
R15-3-406 Amend
R15-3-407 Amend
R15-3-408 Amend
R15-3-409 Repeal
R15-3-410 Amend
2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
Authorizing statutes: A.R.S. §§ 42-1005 and 42-3004.

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Implementing statutes: A.R.S. §§ 1-218, 4-243.01, 42-2003, 42-3008, 42-3052, 42-3153, and 42-3351 through 42-3355.

3. **List of all previous notices appearing in the Register addressing the proposed rules:**  
Notice of Rulemaking Docket Opening: 4 A.A.R. 1412, June 19, 1998.
4. **The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**  
Name: Jaimie Lee, Tax Analyst  
Address: Tax Research & Analysis Section  
Arizona Department of Revenue  
1600 West Monroe  
Phoenix, Arizona 85007  
Telephone: (602) 542-4672  
Fax: (602) 542-4680
5. **An explanation of the rule, including the agency's reasons for initiating the rule:**  
These rules deal with the tax return filing requirements by liquor manufacturers and sellers for luxury tax purposes. As a result of legislative changes and the 5-year review of Title 15, Chapter 3, the department is proposing to amend or repeal these rules because they are obsolete, repetitive, or contrary to current statute. The department also proposes to amend these rules to conform with current rulemaking guidelines.
6. **Reference to any study that the agency proposes to rely on and its evaluation of or justification for proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:**  
Not applicable.
7. **A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:**  
Not applicable.
8. **The preliminary summary of the economic, small business, and consumer impact:**  
It is expected that the benefits of the rules will be greater than the costs. The repeal of R15-3-403 through R15-3-405 and R15-3-409 will benefit the public by eliminating repetitive or obsolete rules that no longer serve their intended purpose. The amendment of R15-3-401, R15-3-402, R15-3-406, and the addition of R15-3-403 will benefit the public by providing additional guidance regarding tax return filings. In addition, the amendment of R15-3-407, R15-3-408, and R15-3-410 will benefit the public by providing clearer and more concise information regarding the filing of tax returns. The department will incur the costs associated with the rulemaking process. Taxpayers are not expected to incur any expense in the amendment of these rules.
9. **The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**  
Name: Jaimie Lee, Tax Analyst  
Address: Tax Research & Analysis Section  
Arizona Department of Revenue  
1600 West Monroe  
Phoenix, Arizona 85007  
Telephone: (602) 542-4672  
Fax: (602) 542-4680
10. **The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**  
The department has not scheduled any oral proceedings. Written comments on the proposed rules or preliminary economic, small business, and consumer impact statements may be submitted to the person listed in question #9. Pursuant to A.R.S. § 41-1023(C), the department will schedule oral proceedings if 1 or more people file written requests for oral proceedings within 30 days after the publication of this notice.
11. **Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**  
None.

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**12. Incorporations by reference and their location in the rules:**

None.

**13. The full text of the rules follows:**

**TITLE 15. REVENUE**

**CHAPTER 3. DEPARTMENT OF REVENUE**

**ARTICLE 4. LIQUOR**

Section

- R15-3-401. Tax Return Filing Requirements – Vinous or Malt Liquor Wholesaler ~~Wholesaler's return of vinous and malt liquor purchased~~
- R15-3-402. Tax Return Filing Requirements – Spirituous Liquor Wholesaler ~~Wholesaler's return of spirituous liquor sold~~
- R15-3-403. Distiller's and manufacturer's report ~~Repealed~~
- R15-3-403. Tax Return Filing Requirements – Domestic Microbrewery, Domestic Farm Winery, Domestic Cider Producer, or Beer Manufacturer
- R15-3-404. Wholesaler's claims for credit or refunds on unsaleable liquor ~~Repealed~~
- R15-3-405. Powdered distilled spirits ~~Repealed~~
- R15-3-406. Metric Conversion ~~conversion~~
- R15-3-407. Primary Source source of Supply – Failure failure to Report report Sales to Arizona Wholesalers by primary source
- R15-3-408. Arizona Wholesaler Primary source – Failure failure to Report report Purchases from a Primary Source of Supply by Arizona wholesalers
- R15-3-409. Common bond ~~Repealed~~
- R15-3-410. Failure to File make a Return return, or failure to Pay pay Tax tax

**ARTICLE 4. LIQUOR**

**R15-3-401. Tax Return Filing Requirements – Vinous or Malt Liquor Wholesaler ~~Wholesaler's return of vinous and malt liquor purchased~~**

On or before the statutory deadline each month, each wholesaler of vinous or malt liquor shall file a return on a form prescribed by the Department. The return shall show the following:

1. Taxpayer's name, mailing address, business address, liquor license number, and identification number;
2. The quantity of vinous and malt liquors purchased or received during the month the tax accrued listed by supplier and invoice number;
3. The quantity of tax-free sales during the month listed by purchaser and invoice number;
4. The quantity of out-of-state sales during the month listed by purchaser and invoice number;
5. The quantity of vinous and malt liquors purchased from other licensed Arizona wholesalers during the month listed by supplier and invoice number;
6. The amount of luxury tax accrued during the month; and
7. Supporting documentation for the information provided in the return.

~~A "Wholesaler's Return of Vinous and Malt Liquor Purchased" must be filed, together, with a remittance of tax due, pursuant to A.R.S. § 42-1205. The date of filing by mail is determined pursuant to A.R.S. § 1-218. Supporting schedules must accompany this~~

~~return to provide the following detailed information:~~

- ~~1. Schedule of all purchases made during month on which Luxury Tax was not paid prior to receipt;~~
- ~~2. Schedule of all purchases on which Arizona Luxury Tax was paid prior to receipt including returns from retailers on which luxury tax was paid;~~
- ~~3. Schedule of out of state sales and returns to vendors outside the state;~~
- ~~4. Schedule of tax free sales in Arizona.~~

**R15-3-402. Tax Return Filing Requirements – Spirituous Liquor Wholesaler ~~Wholesaler's return of spirituous liquor sold~~**

On or before the statutory deadline each month, each spirituous liquor wholesaler shall file a return on a form prescribed by the Department. The return shall show the following:

1. Taxpayer's name, mailing address, business address, liquor license number, and identification number;
2. The quantity of spirituous liquors sold during the month the tax accrued listed by supplier and invoice number;
3. The quantity of spirituous liquors available at the beginning and at the end of the month;
4. The quantity of tax-free sales during the month listed by purchaser and invoice number;
5. The quantity of out-of-state sales during the month listed by purchaser and invoice number;

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6. The quantity of spirituous liquors sold to other licensed Arizona wholesalers during the month listed by purchaser and invoice number;
7. The quantity of spirituous liquors sold in Arizona during the month;
8. The amount of luxury tax accrued during the month; and
9. Supporting documentation for the information provided in the return.

A "Wholesaler's Return of Spirituous Liquor Sold" must be filed, together with remittance for tax due, pursuant to A.R.S. § 42-1205. The date of filing by mail is determined pursuant to A.R.S. § 1-218. Supporting schedules must accompany this return to provide the following detailed information:

1. ~~Schedule of spirituous liquors imported into the state;~~
2. ~~Schedule of spirituous liquors purchased from Arizona wholesale licensees;~~
3. ~~Schedule of sales of spirituous liquor to Arizona wholesale licensees;~~
4. ~~Claim for luxury tax exemption on spirituous liquor exported from the state.~~

**R15-3-403. ~~Distiller's and manufacturer's report~~ Repealed**

~~Every distiller, brewer, winery and/or supplier or manufacturer of alcoholic beverage who sells any of such beverages to wholesalers within the state, shall at the time of making such sale, file with the Department a copy of the invoice of such sale, showing in detail the kind of liquor or beverage sold, the quantities of each, the size of the container and the weight of the contents, the alcoholic content, and the name of the person, firm or corporation to whom sold.~~

**R15-3-403. Tax Return Filing Requirements – Domestic Microbrewery, Domestic Farm Winery, Domestic Cider Producer, or Beer Manufacturer**

On or before the statutory deadline each month, each domestic microbrewery, domestic farm winery including domestic cider producers, or beer manufacturer subject to A.R.S. § 42-3355 shall file a return on a form prescribed by the Department. The return shall show the following:

1. Taxpayer's name, mailing address, business address, liquor license number, and identification number;
2. The quantity of tax-free sales during the month the tax accrued listed by purchaser and invoice number;
3. The quantity of out-of-state sales during the month listed by purchaser and invoice number;
4. The quantity of liquors or beer sold to other licensed Arizona wholesalers during the month listed by purchaser and invoice number;
5. The quantity of liquors or beer sold in Arizona during the month;
6. The amount of luxury tax accrued during the month; and
7. Supporting documentation for the information provided in the return.

**R15-3-404. ~~Wholesaler's claims for credit or refunds on unsaleable liquor~~ Repealed**

~~All claims by wholesalers for credits or refunds against the Department on unsaleable liquor damaged through breakage, spoilage or turning stale by climatic conditions within the state shall be submitted in writing on the prescribed forms or other acceptable forms describing all particulars together with computations. The basis for claims or credits, exemptions or refunds for luxuries is as follows:~~

1. ~~Exports and shipments from the state of Arizona shall be verified by copy of invoice, bill of lading or acknowledgment from a department of the state to which shipped responsible for acknowledging receipt of such exports.~~
2. ~~Unsaleable malt liquors and vinous liquors spoiled at the time received and returned by wholesaler or destroyed when instructed by brewery, firm or winery; a credit memorandum from brewery, firm or winery and instructions to destroy, and an inspection by an agent of the Department prior to returning or destruction.~~
3. ~~Spirituous liquors damaged by fire or smoke or unsaleable due to short fills, improper or damaged labels.~~

**R15-3-405. ~~Powdered distilled spirits~~ Repealed**

~~**A.** The Luxury Tax Law and Regulations apply with respect to any alcoholic mixture or preparation in the same manner and to the same extent as with respect to other distilled spirits. The tax will be paid at the same rate per gallon, or metric equivalent, and at a proportionate rate for any quantity, as for distilled spirits of the same proof strength in liquid form.~~

~~**B.** The weight of any alcoholic mixture or preparation shall be converted to volume as follows:~~

1. ~~One pound equals .16 wine gallon.~~
2. ~~One ounce equals .01 wine gallon.~~
3. ~~One gram equals .000353 wine gallon.~~

**R15-3-406. Metric Conversion conversion**

To compute the luxury tax for liquors ~~For purposes of the computation of taxes imposed upon spirituous or vinous liquors under A.R.S. § 42-1204 in metric containers, each taxpayer shall multiply the quantity in liters by 0.264172 to determine the equivalent quantity in gallons. where such liquors are sealed in containers of metric dimensions, the following conversion table shall be used:~~

1. For Spirituous Liquors:

Bottle size	Bottles per case	U.S. gallons per case
a. 1.75 Liter	6	2.7738
b. 1.00 Liter	12	3.1701

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e.	750 Milliliters	12	2.3775
d.	500 Milliliters	24	3.1701
e.	200 Milliliters	48	2.5361
f.	50 Milliliters	120	1.5850
2. For Vinous Liquors:			
	<b>Bottle size</b>	<b>Bottles</b>	<b>U.S. gallons</b>
		<b>per case</b>	<b>per case</b>
a.	3.00 Liter	4	3.1701
b.	1.50 Liter	6	2.3775
e.	1.00 Liter	12	3.1701
d.	750 Milliliters	12	2.3775
e.	375 Milliliters	24	2.3775
f.	187 Milliliters	48	2.3712
g.	100 Milliliters	60	1.5850

**R15-3-407. ~~Primary Source~~ ~~source of Supply~~ – ~~Failure~~ ~~failure~~ to ~~Report~~ ~~report~~ ~~Sales~~ ~~to Arizona Wholesalers~~ ~~by~~ ~~primary source~~**

~~If Upon determination by the Department determines that a primary source of supply, as defined in A.R.S. § 4-243.01, has failed to transmit report to the Department copies of all invoices for any sales sale of alcoholic beverages to wholesalers within the State state of Arizona as required by A.R.S. § 4-243.01, the Department shall will instruct notify each all Arizona wholesaler wholesalers not to accept any shipment of alcoholic beverages from the such primary source of supply for a period of 1 year.~~

**R15-3-408. ~~Arizona Wholesaler - Failure to Report Purchases from a Primary Source of Supply~~ ~~Primary source~~ – ~~failure to report by Arizona wholesalers~~**

~~If Upon determination by the Department determines that an Arizona wholesaler has failed to transmit to the Department copies of all invoices for alcoholic beverages purchased from any primary source of supply as required by A.R.S. § 4-243.01, the Department shall will report such failure to the Department of Liquor Licenses License and Control.~~

**R15-3-409. ~~Common bond Repealed~~**

~~Any group or association of licensed wholesalers may furnish a common bond in such form as prescribed by the Department in the aggregate of twice the participating wholesalers monthly excise tax. Each participating wholesaler shall be shown separately as to name, location and amount. The amount of the bond shall not be less than two thousand dollars for any single wholesaler.~~

**R15-3-410. ~~Failure to File~~ ~~make a Return~~ ~~return, failure to or Pay~~ ~~pay Tax~~ ~~tax~~**

~~The Department shall report any failure by a licensee to file a return returns or pay the tax due; to the Department of Liquor Licenses License and Control and the Department may request that the Department of Liquor Licenses License and Control to issue a citation against the licensee.~~

**NOTICE OF PROPOSED RULEMAKING**

**TITLE 20. COMMERCE, BANKING, AND INSURANCE**

**CHAPTER 2. DEPARTMENT OF WEIGHTS AND MEASURES**

**PREAMBLE**

**1. Sections Affected**

- R20-2-701
- R20-2-750
- R20-2-751
- R20-2-752
- R20-2-753
- R20-2-754
- R20-2-755
- R20-2-756
- R20-2-757
- R20-2-758
- R20-2-759
- R20-2-760
- R20-2-761
- R20-2-762

**Rulemaking Action**

- Amend

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Table 1	Amend
Table 2	Amend

**2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

A.R.S. §§ 41-2066, 41-2113, 41-2115, 41-2083, 41-2121, 41-2122, 41-2123, and 41-2124

**3. List of all previous notices appearing in the register addressing the proposed rule:**

Notice Of Docket Opening, 4 A.A.R. 3344, October 23, 1998.

Notice Of Docket Opening, 5 A.A.R. 1236, April 30, 1999.

**4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name: Michelle Ringsmuth

Address: Department of Environmental Quality  
3003 North Central Avenue, T-5109B  
Phoenix, Arizona 85012-2905

Telephone: (602) 207-2372 (Any extension may be reached in-state by dialing 1-800-234-5677, and asking for that extension.)

Fax: (602) 207-2366

E-mail: ringsmuth.michelle@ev.state.az.us

**5. An explanation of the rule, including the agency's reasons for initiating the rule:**

**Summary**

The Arizona Department of Environmental Quality (ADEQ), in consultation with the Department of Weights and Measures (ADWM), is proposing changes to the Arizona Cleaner-Burning Gasoline (CBG) rules contained in A.A.C. Title 20, Chapter 2, Article 7. The proposed rules will implement 1998 legislation (House Bill (HB) 2347) requiring gasoline meeting the California Air Resources Board (CARB) Phase 2 reformulated gasoline (RFG) standards with an ethanol content of 10% by volume to be the only gasoline sold in area A from November 2 through March 31, beginning November 2, 2000. Additionally, the proposed rules incorporate proposed technical corrections included in HB 2189 under consideration in the 1999 legislative session, changes recommended by the Governor's Regulatory Review Council (GRRC) to address issues related to clarity, conciseness, and understandability, and changes recommended by the regulated community to clarify the rules.

The main purpose of these proposed rule revisions is to reduce carbon monoxide (CO) and particulate matter (PM<sub>10</sub>) emissions from vehicle exhaust. It is estimated that implementation of this rule will reduce CO emissions by 32.7 metric tons per day (mtpd) in the year 2001, PM<sub>10</sub> emissions by 2.1 mtpd in 2004, and PM<sub>2.5</sub> by 1.8 mtpd in 2004 beyond the emission reductions provided by the current program.

**Background on CBG Rules**

The urbanized area of Maricopa County does not meet the National Ambient Air Quality Standards (NAAQS) for ozone, carbon monoxide (CO) and particulate matter (PM<sub>10</sub>). Under the federal Clean Air Act Amendments of 1990, this area was classified as a "moderate" nonattainment area for each of these pollutants by the Environmental Protection Agency (EPA). However, due to continuing exceedances of each of the standards, the EPA redesignated the Phoenix airshed to a "serious" nonattainment area for each pollutant, effective for PM<sub>10</sub> on June 10, 1996, for CO on August 28, 1996, and for ozone on February 13, 1998.

In order to address the air quality problems, Governor Symington issued Executive Order (EO) 96-6 on May 24, 1996. EO 96-6 created a Task Force charged with evaluating and recommending measures that could be implemented to reduce the formation of ozone, particulate matter, and carbon monoxide. During the time period of August through September of 1996, the Task Force considered hundreds of suggestions by the general public, private businesses, and governmental entities. Based on the evaluation of the information presented to them, on December 2, 1996, the Task Force released their report containing 35 recommended air pollution control measures.

Of the 35 control measures recommended by the Task Force, 2 measures ranked above the rest in their ability to reduce emissions of ozone-forming pollutants and their ability to be implemented in a short time period:

- Opt into the Federal Reformulated Gasoline (RFG) program beginning in the 1997 ozone season; and
- Selection of a gasoline formulation by 1999 for long-term use. Gasoline formulations recommended by the Task Force included 1) a performance-based gasoline capable of a 10% volatile organic compound (VOC) reduction; 2)

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Federal Phase II RFG; and 3) California Air Resources Board (CARB) Phase 2 RFG.

Governor Symington acted on the Task Force recommendation by sending a letter to the Environmental Protection Agency (EPA) on January 17, 1997, requesting that the Maricopa County ozone nonattainment area be included in the Federal RFG program beginning June 1, 1997. Opting into the Federal RFG program enabled the implementation of a control measure that had immediate air quality benefits for the 1997 ozone season.

The request by Governor Symington to opt into the Federal RFG program was contingent on the EPA's assurance that Arizona would be able to exit the program in 1998 and implement their own State-enforced program. The State program, if approved by EPA, would mandate the use of a long-term gasoline recommended by the Task Force. This was an important decision that allowed the State the flexibility to implement a program with greater environmental benefits at an earlier time period than would be achieved if Arizona were to remain in the Federal program.

During the 1997 regular legislative session, the choice of a long-term gasoline aimed at reducing ozone pollution in the Maricopa County area was debated. Many issues played a key role in the decision of the type of gasoline to require, such as cost of production, cost to consumer, supply and transport issues, and environmental benefits. Based upon these considerations, the State Legislature passed HB 2307. This bill provided for increasing environmental benefits by requiring gasoline dispensed for use in motor vehicles within area A to meet standards similar to either CARB RFG or Federal RFG during the specified time periods. Area A is a term defined in statute to describe those portions of the Phoenix metropolitan and surrounding areas for which air pollutant control programs are necessary to protect air quality. For gasoline control requirements, area A included all areas within Maricopa County. Additionally, the gasoline was required to meet the maximum 7.0 psi summertime vapor pressure requirements contained in A.R.S. Section 41-2083(F) and wintertime oxygenate and vapor pressure requirements as provided in A.R.S. Sections 41-2123 and 41-2083(D), respectively.

To ensure that a State-enforced gasoline program was in place for the 1998 ozone season, HB 2307 was passed as an emergency measure, operative immediately. The bill required ADEQ, in consultation with the ADWM, to adopt interim rules for the state gasoline program by September 15, 1997.

In order to meet the mandated deadline, ADEQ and ADWM held a series of 10 public workshops with interested parties from May 22 through July 15, 1997, to develop a proposed interim rule that would achieve the following requirements:

- 1) Provide the maximum flexibility for producers and transporters of gasoline to minimize costs and to ensure that the supply of gasoline would not be disrupted;
- 2) Meet the requirements of HB 2307; and
- 3) Contain an enforceable program that meets EPA criteria for approval.

Arizona Cleaner Burning Gasoline (CBG) is the name chosen for the Arizona version of "reformulated gasoline". The Arizona CBG interim rule was adopted by ADEQ and ADWM on September 12, 1997, and was submitted to EPA as a State Implementation Plan (SIP) revision. EPA approved the CBG program on February 12, 1998.

Upon adoption of the interim rule, ADEQ and ADWM began the rulemaking process for a permanent rule. The permanent rule was adopted by the GRRC on September 9, 1998, and superseded the interim rule.

#### Explanation of Proposed Revisions to CBG Rules

On November 13, 1997, Governor Jane Dee Hull issued Executive Order 97-12, convening the 1997-1998 Air Quality Strategies Task Force. The Task Force was charged with assisting in the development of CO, PM<sub>10</sub>, and ozone plans to address the reclassification of the Maricopa County nonattainment area from moderate to serious. The Task Force reviewed numerous proposed control measures in order to determine the viability of each control measure's ability to address the air pollution problem.

One Subcommittee formed by the Task Force was the Cleaner Burning Fuels Subcommittee. This Subcommittee reviewed a variety of gasoline formulations that could be implemented as a control measure for reducing wintertime CO pollution. The Subcommittee, and subsequently the Task Force, recommended 2 options for further reducing wintertime CO from the use of gasoline: 1) Standards similar to Federal Phase II RFG with a maximum sulfur content of 30 ppm; or 2) Standards similar to CARB Phase 2 RFG with the current Reid vapor pressure (RVP) and oxygenate requirements. The Task Force Report was submitted to Governor Hull on February 17, 1998.

During the 1998 legislative session, wintertime fuel formulations were debated and HB 2347 was passed. On May 27, 1998, Governor Hull approved HB 2347, which requires that beginning November 2, 2000, through March 31, 2001, and from the period beginning November 1 through March 31 of each subsequent year, all gasoline produced and shipped to Maricopa County and sold or offered for sale for use in motor vehicles in area A shall meet specifications

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similar to CARB Phase 2 RFG with an ethanol content of 10% by volume. Based upon calculations performed by an independent contractor hired to evaluate various gasoline options for the Subcommittee, this gasoline formulation will reduce CO emissions by 32.7 metric tons per day (mtpd) in the year 2001, PM<sub>10</sub> emissions by 2.1 mtpd in 2004, and PM<sub>2.5</sub> by 1.8 mtpd in 2004 beyond the emission reductions provided by the current program.

In addition to proposing the gasoline specifications required under HB 2347, there are several additional proposed changes in the rules to implement HB 2347:

- The definition of “Type 2 gasoline” has been modified to specify applicable maximum cap limits for gasoline formulations (R20-2-101(51));
- A new section, R20-2-751(B), has been proposed to incorporate the CARB Phase 2 RFG maximum cap limits;
- R20-2-751(C) and Table 1 have been revised to disallow refiners to produce Type 1 gasoline meeting the averaging standards during the wintertime, beginning September 15, 2000;
- A new section, R20-2-751(D), has been proposed. This section requires that registered suppliers produce Type 2 gasoline during the wintertime, beginning November 2, 2000, and elect which of the Type 2 standards will be produced by the registered supplier (i.e. average standards, per-gallon standards, predictive model);
- Wintertime survey requirements have been deleted (R20-2-751 and R20-2-760); and
- Tables 1 and 2 have been modified to incorporate the oxygenate standards required by HB 2347.

In addition to implementing the provisions of HB 2347, this proposed rule includes the following revisions:

- 1) Changes to incorporate proposed technical corrections included in HB 2189 for consideration by the Legislature in the 1999 legislative session;
- 2) Changes recommended by the Governor’s Regulatory Review Council (GRRC) during the 1998 adoption of the Permanent CBG rules; and
- 3) Changes recommended by the regulated community to clarify the rules.

A brief description of these changes is provided in the following paragraphs.

HB 2189 is currently under consideration for passage by the legislature. This bill includes several technical corrections applicable to the CBG program under A.A.C. Title 20, Chapter 2, Article 7. First, HB 2189 proposes to revise the area of applicability for CBG requirements to include Maricopa County and area A. In 1997, at the time the interim rule was adopted, the CBG program requirements were applicable throughout Maricopa County. On May 29, 1998, Senate Bill (SB) 1427 was signed by Governor Hull, revising the definition of area A for Arizona CBG requirements as well as other air quality control programs. Prior to the passage of SB 1427, area A was defined as the portion of Maricopa County which included the greater metropolitan Phoenix area for air quality control programs other than Arizona CBG (ie. dust controls for unpaved roads and vacant lots). Due to increasing population and the need for further control of air pollutant emissions, SB 1427 modified the definition of area A for these air quality programs to include additional areas of Maricopa County, as well as neighboring portions of Pinal and Yavapai counties. For the Arizona CBG program, which previously was effective for all of Maricopa County, the revised definition of area A reduced the applicability of the program to only those portions included in the new area A definition. HB 2189 proposes to return the area of applicability to include all of Maricopa County as well as to add portions of area A (as revised in SB 1427) outside of Maricopa County (portions of Yavapai and Pinal Counties) for the CBG and RVP requirements to correspond with the area of applicability for oxygenated gasoline and the area of applicability for CBG, as adopted in 1997. A new definition “CBG covered area” has been proposed in this rule (R20-2-101(8)) which delineates the area of applicability for Arizona CBG requirements.

Second, HB 2189 updates the adoption date for federal reformulated gasoline standards from January 1, 1997, to January 1, 1999. This change was requested by the regulated community to allow the revision of Article 7 to incorporate regulatory changes to the standards contained in a December 31, 1997, final rule promulgated by EPA (62 FR 68196). Changes to the standards incorporated by EPA in the December rulemaking include the deletion of the nitrogen oxide (NOx) per-gallon minimum standards. Additionally, EPA increased the number of gasoline quality surveys required under the regulations to ensure that air quality was protected in areas where RFG was sold. These changes were viewed by EPA as more cost-effective while maintaining full environmental benefits of the standards. These revisions are reflected in R20-2-760(a) and Table 1.

Although ADEQ has included the revisions contained in HB 2189, these revisions will only be incorporated into the final CBG rule upon passage of HB 2189 by the Legislature.

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During the adoption of the permanent CBG rule, GRRC staff recommended grammatical and stylistic modifications to the rule language to make the rule clear, concise and understandable. Due to time constraints, some of these revisions were not incorporated into the permanent rule; however, ADEQ and ADWM indicated to Council Members that the changes would be considered during this rule revision. ADEQ and ADWM have incorporated the appropriate changes suggested by GRRC staff in these proposed rule revisions.

Changes proposed in this rulemaking suggested by the regulated community include: 1) incorporation of EPA rules to clarify which laboratory analytical results should be used in the event that the analytical results obtained by a registered supplier and an independent laboratory for the same batch of gasoline differ (R20-2-752(H)); 2) clarification of requirements for acceptance of CBG by a pipeline or 3rd-party terminal (R20-2-753(A)); and 3) include in rule the exemption from the CBG requirements provided in statute (A.R.S. § 41-2124(K)) for motor vehicle manufacturer proving grounds and motor vehicle racing events (R20-2-701(3)).

In addition to the Arizona CBG rules contained in Article 7, there are requirements for motor fuels and petroleum products other than Arizona CBG. These requirements are contained in Title 20, Chapter 2, Article 7, Sections R20-2-702 through R20-2-721. ADWM is proposing revisions to these sections of Article 7 in a separate rulemaking during the same time period as ADEQ is proposing the Arizona CBG rule revisions. Although there are separate requirements for Arizona CBG and other petroleum products, many facilities may conduct activities that are regulated under more than 1 section of Article 7, and should be aware of both the ADWM and ADEQ proposed rule revisions. For information regarding the rule revisions proposed by ADWM, contact Sandy Williams at (602) 451-2966 or Dennis Ehrhart at (602) 451-2968.

**6. A reference to any study that the agency proposes to rely on its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:**

MathPro, Inc., November 7, 1996. Assessment of Fuel Formulation Options for Maricopa County.

MathPro, Inc., February 16, 1998. Evaluation of Gasoline and Diesel Fuel Options for Maricopa County.

Copies of these studies are on file and may be reviewed at the following locations or may be obtained by contacting Michelle Ringsmuth at (602) 207-2372:

Arizona Department of Environmental Quality  
Office of Outreach and Information,  
First Floor  
3033 N. Central Avenue  
Phoenix, Arizona  
Barbara Hasan: (602) 207-2217

City of Phoenix Public Library  
2nd Floor, Government Documents and  
Law Section  
1221 N. Central Avenue  
Phoenix, Arizona  
(602) 262-4636

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

Not applicable.

**8. The preliminary summary of the economic, small business, and consumer impact:**

I. Rule Identification

ADEQ, in consultation with the Arizona Department of Weights and Measures (ADWM), is proposing changes to A.A.C. R20-2-701 through R20-2-762, known as the Arizona Cleaner-Burning Gasoline (CBG) rules.

Title 20: Commerce, Banking, and Insurance  
Chapter 2: Department of Weights and Measures  
Article 7: Motor Fuels and Petroleum Products §§ 701, 750-762, Tables 1 and 2

II. Introduction

The Arizona CBG rules provide requirements for every person in the gasoline distribution system to ensure that stringent gasoline standards will be met which provide for improved air quality. As adopted in 1997, the focus of the CBG program was to reduce summertime ozone-forming air pollutants such as volatile organic compounds (VOCs), nitrogen oxides (NOx), and carbon monoxide (CO), as well as particulate matter (PM<sub>10</sub>). Modifications to the program mandated under HB 2347, and included in this proposed rulemaking, increase the stringency of the gasoline standards during the winter season beginning November 2, 2000, to reduce CO emissions. Also included in this proposed rulemaking are revisions to incorporate proposed technical corrections included in HB 2189 for consideration by the Legislature in the 1999 legislative session, changes recommended by the Governor's Regulatory Review Council (GRRC) during the 1998 adoption of the Permanent CBG rules, and changes recommended by the regulated commu-

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nity to clarify the rules. Technical corrections in HB 2189 include revision of the area of applicability for CBG requirements to include area A and Maricopa County (referred to as the CBG covered area) and update of the Type 1 gasoline standards to reflect revisions included in the final rule for the federal reformulated gasoline (RFG) program promulgated by the Environmental Protection Agency (EPA) in December 1997.

Gasoline distribution for the Maricopa County area, as well as for Arizona, is dependant on out-of-state refiners and 1 pipeline company. Refiners transport the gasoline from either El Paso or Los Angeles to Arizona through the pipeline owned by Kinder Morgan Energy Partners, L.P. (Kinder Morgan pipeline). Virtually all of the gasoline shipped to Maricopa County is via the Kinder Morgan pipeline, which handles gasoline as well as other refined fuels. In some instances, the supplying refiners may ship the gasoline to a community gasoline storage facility (known as 3rd-party terminals) prior to transport to the pipeline. At the 3rd-party terminal, gasoline from different refineries may be stored in common tankage. The gasoline distribution system is fungible, which means, gasoline of the same grade from different batches produced by the same refiner or batches from different refiners may be mixed together in the 3rd-party storage tanks or at breakout tankage at the pipeline. Once the gasoline arrives in Maricopa County, it is transferred from the pipeline to local bulk terminals which handle the distribution of the gasoline to tank wagon fleets. Finally, the gasoline is distributed to the retail outlets and fleet vehicle fueling stations. The Arizona CBG rule contains provisions for gasoline sampling and analysis, documentation, and recordkeeping to ensure that the gasoline meets the applicable standards at each step within the gasoline distribution system. ADEQ is not proposing changes to these requirements in this rulemaking.

The Arizona CBG rule requires that refiners and importers produce gasoline that complies with standards similar to either the Federal Phase II RFG or California Air Resources Board (CARB) Phase 2 RFG standards. These standards are reflected in the CBG rules in Tables 1 and 2, and denoted as Type 1 gasoline and Type 2 gasoline, respectively. Revisions contained in this proposed rulemaking require that beginning November 2, 2000, refiners must produce gasoline meeting the Type 2 standards with an ethanol content of 10% by volume during the time period of November 2 through March 31 if it is to be supplied to the CBG covered area. The option of producing gasoline meeting the Type 1 standards will still be available during the time period of April 1 through November 1. Additionally, revisions to the Type 1 gasoline standards include proposed deletion of the NO<sub>x</sub> minimum standards. In order to ensure the quality of gasoline distributed in the CBG covered area, it is proposed that refiners producing Type 1 gasoline under the averaging option will be required to conduct 2 additional VOC and 4 additional NO<sub>x</sub> surveys.

The revisions proposed in this rulemaking retain the flexibility afforded to gasoline producers or importers to choose to comply with either a per-gallon standard or an averaging compliance option. The per-gallon standards require that every gallon of gasoline produced by the refiner meet a specified standard for each of the regulated gasoline components. The averaging compliance option allows facilities to produce some gasoline that meets standards less stringent than the per-gallon standard limits as long as the overall average of all gasoline produced by the facility for transport to the CBG covered area meets a more stringent standard when averaged over a specified time-frame. This is referred to as the "Arizona average" since it requires refiners to track separately any gasoline produced for shipment to the CBG covered area. Additionally, producers of Type 2 gasoline may certify gasoline using the CARB Predictive Model, which provides flexibility for gasoline formulations as long as an overall emission reduction is shown.

Due to the implementation of HB 2347, which requires the production of gasoline meeting Type 2 gasoline requirements beginning November 2, 2000, registered suppliers that choose to produce Type 1 gasoline during allowable wintertime periods (from and after September 15, 2000, during the time periods of September 16 - November 1 and April 1 - April 30) will be required to produce Type 1 gasoline under the per-gallon standards only (R20-2-751(C)(2) and Table 1). This requirement will ease compliance for both the refiners and the implementing agency since a wintertime average under the Type 1 standards would not be possible because all refiners will be required to produce Type 2 gasoline from November 2 through March 31 of each year (and therefore could not average Type 1 and Type 2 gasoline standards during the averaging season).

### III. Classes of Persons Affected

Potential classes of persons affected by these proposed revisions included in this rulemaking include: oil importing and refining companies (known in the rule as "registered suppliers"), the Kinder Morgan pipeline, ADEQ as the adopting agency, ADWM as the implementing agency, and the general public living in Maricopa County or area A. These persons will be affected by the proposed CBG rule revisions in varying degrees both from 1 class to another and within certain classes. A brief discussion of the anticipated affects on each of these classes is provided in the following paragraphs.

#### A. REGISTERED SUPPLIERS

Registered suppliers will be affected due to the proposed changes in the gasoline standards with which they will have to comply. Beginning November 2, 2000 through March 31, 2001, and from the period beginning November 2

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through March 31 of each subsequent year, all gasoline sold or offered for sale for use in motor vehicles in Maricopa County will be required to meet more stringent Type 2 gasoline specifications, with an ethanol content of 10% by volume. The Arizona CBG program allows refiners many options for certification of Type 2 gasoline, including use of the Predictive Model.

To provide refiners added flexibility for certification using the Predictive Model, while still meeting the oxygenate requirements (10% ethanol), ADEQ is proposing to revise the requirements for certification of gasoline during the winter season using the Predictive Model. The proposed rule requires that refiners certify Type 2 gasoline with a minimum oxygenate content of 2.0% by weight, compared to the current requirement of certification with an oxygenate content of 2.7% by weight. After certification with the model, refiners are required to add oxygenate to meet the minimum oxygenate requirement of 10% by volume (approximately 3.5% by weight).

Additional changes to the standards include the deletion of the NO<sub>x</sub> minimum standard for Type 1 gasoline. This change follows changes made to the federal RFG program in December 1997. Refiners requested the deletion of the NO<sub>x</sub> minimum standard for Type 1 gasoline to provide increased flexibility for gasoline production. To ensure that air quality standards are met, the proposed rule requires that refiners producing gasoline under the averaging option, conduct 4 VOC and NO<sub>x</sub> surveys during the summer season.

**B. KINDER MORGAN PIPELINE**

Ninety-nine percent of Arizona's gasoline is transported to the CBG covered area through the Kinder Morgan pipeline. For liability reasons, the pipeline has implemented a laboratory testing program to verify that the gasoline input into the pipeline system meets the appropriate standards. This proposed rule does not contain additional requirements applicable to the pipeline; however, the pipeline will be required to sample gasoline to ensure that it meets the requirements of the new standards during the applicable time periods.

**D. GOVERNMENTAL AGENCIES**

Governmental agencies impacted by Arizona CBG include ADEQ and ADWM. ADEQ will adopt the rule and submit the rule to EPA as a SIP revision. Once approved by GRRC, ADWM will implement and enforce the rule.

**E. THE PUBLIC/ENVIRONMENT**

Members of the public most affected by the implementation of the Arizona CBG rule include the residents in the CBG covered area and surrounding areas. Benefits to the health of the general public will be observed for all people who live in the CBG covered area and surrounding areas. Additionally, residents outside of but near Maricopa County and people that visit the Maricopa County area will experience improved air quality. Moreover, animal and environmental welfare affected by air pollution will be improved.

The general public also will be affected by the implementation of this rule because of the increased cost of production of the gasoline, estimated at \$0.076 per-gallon, and the anticipated increase in gas consumption due to a minor reduction in fuel economy, estimated at less than \$0.01 per-gallon (MathPro, February 1998). Cost associated with the use of Arizona CBG will be limited to those people that purchase gasoline within the CBG covered area. Exceptions include automobile racetracks and automobile proving grounds located in the CBG covered area. Classes of consumers affected by the rule include:

- Motor vehicle operators;
- Lawn and landscaping equipment operators;
- Golf cart operators; and
- Operators of other gasoline-powered off-road equipment.

Approximate winter gasoline consumption in Maricopa County during the years 1997, and projected for 1999, 2001, and 2004, is (MathPro, February 16, 1998, p. 18):

- 1997 3.2 million gallons/day
- 1999 3.4 million gallons/day\*
- 2001 3.6 million gallons/day\*
- 2004 3.8 million gallons/day\*.

\* Derived using projected vehicle miles traveled in Maricopa County.

In addition to the residents of the CBG covered area, residents of surrounding areas may be affected if they purchase

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gasoline in the CBG covered area or during instances when Arizona CBG is sold outside of the CBG covered area.

The expansion of the area of applicability for the CBG program to include additional portions Maricopa County (as originally required when the CBG program was approved in 1998), Yavapai County and Pinal County (beginning January 1, 2001) will affect additional members of the public. It is estimated that 51,700 people will reside in the expanded portions of Maricopa County and 32,000 people will reside in the portion of Pinal County included in area A in the year 2000. There are currently 100 or less people residing in the portion of Yavapai County included in area A.

#### IV. Anticipated Impacts on Employment, Revenues, and Expenditures

The proposed revisions to this rule are not expected to impact ADEQ or ADWM's employment requirements. In particular, ADEQ does not anticipate hiring additional staff due the revisions of the Arizona CBG rule. In 1998, ADWM hired 1 person to assist in implementing the Arizona CBG rule. ADWM will not require additional staff to implement the revisions proposed in the rule.

This rulemaking will have no direct impact on state revenues because it is not a revenue-raising rule. However, the EPA and the Federal Highway Administration may withhold federal highway funds in the event that Maricopa County is unable to meet specified air quality requirements. According to the Maricopa Association of Governments, federal highway funding that could be withheld if an approvable CO Serious Area SIP is not submitted to EPA is estimated to be \$111 million. Additionally, local funding for transportation projects could be impacted. Even though the production costs of CBG could result in a slight increase in its price as compared to the previous price of Arizona CBG, this additional cost is not expected to reduce gasoline sales. Thus, no change in gasoline tax revenues is predicted as a result of this price increase. However, it is possible that a minimal increase in tax revenues could accrue due to a slight increase in the volume of gasoline consumed because of the loss of fuel economy.

ADEQ does not anticipate employment levels for facility compliance with the CBG program to change as a result of the revisions proposed in this rule.

#### V. Cost-Effectiveness Analysis

Based on data from Evaluation of Gasoline and Diesel Options for Maricopa County (Mathpro; February 16, 1998), a study conducted for the State, the cost effectiveness for the production of gasoline meeting the CARB Phase 2 standards during the wintertime is approximately \$9,000 per ton of CO reduced. This cost effectiveness has been calculated by evaluating the costs associated with producing gasoline that meets the CARB Phase 2 standards and comparing these costs with the anticipated emissions reductions.

##### A. BENEFITS

The primary purpose of Arizona CBG is to reduce CO pollution, which reaches unhealthful levels during the wintertime in Maricopa County. Health effects of elevated CO levels include a reduction in the ability of blood to carry oxygen in the body. The health threat is most serious for those who suffer from cardiovascular disease, particularly those with angina or peripheral vascular disease. Exposure to elevated CO levels is associated with impairment of visual perception, manual dexterity, learning ability, and performance of complex tasks. Elevated CO levels affect other mammals in a similar manner.

In Maricopa County, approximately 67% of CO emissions are caused by on-road vehicles (cars, trucks) and approximately 28% of CO emissions are from off-road sources (lawn mowers, trimmers, construction equipment) (MAG, January 1999). The use of Type 2 gasoline with an ethanol content of 10% by volume during the wintertime is anticipated to reduce CO emissions from vehicles and gasoline-powered equipment tailpipes by approximately 6.8%.

In addition to CO, the use of Type 2 gasoline with 10% ethanol by volume during the wintertime will reduce vehicle emissions of particulate matter, which also reaches unhealthful levels in Maricopa County. Particulate matter causes irritation and damage to respiratory systems, resulting in difficult breathing, inducement of bronchitis, and aggravation of existing respiratory diseases. Epidemiological studies indicate increased health risks associated with exposure to PM, alone or in combination with other air pollutants. PM-related increases in individual health risks are small, but likely significant from an overall public health perspective because of the large numbers of individuals in susceptible risk groups that are exposed to ambient PM. PM<sub>10</sub> and indicators of fine particles are more consistently associated with health risks than indicators of coarse particles. (EPA, 1996).

Another benefit from these rule revisions may be a reduction in toxic air pollutants. This reduction in toxic air pollutants is not required by the Arizona CBG rule; however, the reduction may occur due to the new gasoline standards that will be required under the rule. Toxic air pollutants are chemicals which are of concern due to the potential to cause cancer, birth defects, damage to the nervous system, or which may be poisonous. Additionally, toxic air pollutants may cause adverse environmental effects. Toxic air pollutants that will be reduced by the use of CBG include

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benzene, a known carcinogen, and 1,3-butadiene (aldehyde emissions increase slightly).

**B. COSTS**

The potential increased cost to residents of the CBG covered area due to the implementation of this rule is mainly comprised of impacts on the costs of production of CBG and reductions in fuel mileage.

**1. Increased Cost of Arizona CBG**

The cost to produce Type 2 gasoline is slightly more than the cost to produce Type 1 gasoline. The increased costs associated with producing gasoline that complies with the Type 2 standards has been estimated at \$0.076 per-gallon more than the cost to produce Type 1 gasoline (MathPro, 1998). Based on Maricopa County's winter gasoline consumption projected for the year 2000, the increased cost of production of Arizona CBG, Type 2 gasoline, may be estimated at an additional \$40 million per year. Due to competition among suppliers of gasoline, as well as market forces that impact the prices of gasoline, it is unknown how the cost differential will be allocated between producers and consumers. Although the Maricopa County gasoline market will determine this allocation, it is anticipated that registered suppliers will pass-on the increased costs of producing Arizona CBG to the consumer. However, historical gasoline pricing data from the Energy Information Administration for Texas and California indicates that the actual cost of reformulated gasoline passed-on to the consumer may be less than the associated cost of production. As shown in Tables 1 through 3, United States Department of Energy surveys indicate that the price differential between reformulated and conventional gasolines averages \$0.02 - \$0.03 per-gallon in other areas of the country where reformulated gasoline is marketed. Table 4 shows historical prices of conventional and CBG sold in Maricopa County since 1995.

**2. Give Away of Excess Quality**

Excess quality give away occurs when county and statewide standards differ and those counties with less stringent standards receive higher-quality gasoline meeting more stringent State standards due to excess supply of the high quality gasoline. MathPro estimated that prior to the sale of reformulated gasoline in Maricopa County, the total cost of excess quality due to RVP and octane give-away in Arizona and other areas supplied through the Kinder Morgan southern pipeline system was approximately \$9-12 million, annually (MathPro, 1996).

Excess quality give away is a social cost, incurred by the whole society. It is unclear how the costs associated with excess quality give away will be allocated. This allocation may occur between refiners and consumers and/or between consumers inside and outside of the CBG covered area. The gasoline distribution system as a whole has a financial interest in minimizing the extent of quality give-away. Three companies that supply over one-half of the gasoline volume in the Maricopa County market have taken steps to minimize the excess quality (spill-over) in their supplies to areas outside of the Maricopa County. It is apparent that the logistics for segregation of product for transport to the CBG covered area from product for transport to areas outside of the CBG covered area by the remainder of the suppliers have been resolved, as anecdotal information indicates that CBG was not delivered to refueling stations outside of Maricopa County on a routine basis within 4 to 6 weeks of its introduction into Arizona (July 1997).

**3. Increased Distribution (Transportation/Pipeline) Costs**

The proposed revisions to the CBG rules are not anticipated to increase gasoline transportation costs. The pipeline may incur a minimal increase in costs due to the need to train personnel on the new requirements and the locations where Arizona CBG and conventional gasoline are to be sold.

**4. Reduced gas mileage with Type 2 Gasoline**

Because Type 2 gasoline with 10% by volume ethanol contains slightly less energy than Type 1 gasoline with 10% ethanol, average fleet-wide fuel economy should be reduced. This loss in fuel economy represents a social cost. The anticipated loss in fuel economy has been predicted by scientific computer modeling, which shows that the fuel economy reduction could be 0.7% (MathPro, 1998) during the wintertime.

This currently is equivalent to a \$0.007 increase in the cost per gallon of gasoline. This represents the anticipated increase in the cost to consumers that was added to the overall estimated price increase for consumers. For example, a person driving a vehicle that averages 17.5 miles per gallon for 9,000 miles during the winter months (November through April) with a 0.7% loss in fuel economy would require an additional 4 gallons of gasoline during those months.

**C. FACTORS MITIGATING COSTS**

The Arizona CBG rule has been designed to provide the greatest air quality benefits while ensuring maximum flexibility to those regulated by the rule. This flexibility that is provided to the regulated community should assist in mitigating the costs associated with the implementation of the rule. Examples of provisions within the proposed rule

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revisions which provide flexibility include:

- The proposed revisions delete the NOx minimum standard which will provide flexibility for Type 1 gasoline producers; and
- Beginning November 2, 2000, wintertime surveys will not be required.

An additional factor that will mitigate the costs associated with the implementation of this rule is the layout of the gasoline distribution system. Many refineries that currently supply Arizona CBG already produce gasoline meeting the CARB Phase 2 standards for the California market. The implementation of the wintertime Type 2 gasoline requirement will provide an additional market for these refineries that have already made capital investments to produce CARB Phase 2 reformulated gasoline. Additionally, a growing number of refineries are supplying Arizona CBG to the Maricopa County market, demonstrating the competitive nature of the gasoline market. The requirements contained in this rule have been patterned as closely as possible to CARB requirements to maintain consistency and ease of implementation for the regulated community.

#### D. CONCLUSION

The implementation of the proposed revisions to the Arizona CBG rules are a crucial part of the air quality plans for achieving the federal CO and PM<sub>10</sub> standards. Implementation of this rule will reduce wintertime CO and PM<sub>10</sub> pollutant levels from vehicle exhaust, thus reducing health risks associated with public exposure to these pollutants. Additionally, without the implementation of this rule, federal highway funds estimated to be \$111 million, as well as additional local transportation project funding, could be jeopardized. The costs of implementing the proposed rule revisions include an increased cost of production for the cleaner-burning gasoline and reduction in vehicle fuel mileage. These costs have been estimated at \$0.076 per gallon and \$0.007 per gallon, respectively. Based on all of the foregoing, ADEQ has determined that the benefits exceed the costs of this rule.

#### VI. General Impact on Small Businesses

The Arizona CBG rule may effect small businesses such as family-owned gas stations located in the CBG covered area<sup>1</sup>. For instance, consumers who cross the CBG covered area border daily may choose to purchase non-reformulated gasoline outside the CBG covered area rather than buying higher-priced Arizona CBG. In addition, if higher gasoline production costs are passed on to the consumer, the implementation of the Arizona CBG rule could impact small businesses that purchase gasoline in the CBG covered area.

The Arizona CBG program minimizes the effect on small business by inclusion of minimal paperwork and record-keeping requirements for gasoline retail outlets which may be small businesses. Although there may be a cost increase associated with the revised gasoline standards which will affect all CBG consumers, ADEQ is not proposing any changes to the requirements that directly impact small businesses in this rulemaking.

#### VII. Alternative Rulemaking Provisions

The proposed revisions to the Arizona CBG rule have been designed to achieve the following:

- Provide the maximum flexibility for producers and transporters of gasoline minimize costs and to ensure that the supply of gasoline would not be disrupted;
- Meet the requirements of HB 2347; and
- Contain an enforceable program that meets the EPA criteria for approval.

In order to develop a rule which met all of these requirements, ADEQ and ADWM held a public workshop with interested parties on February 4, 1999. During the public workshop, ADEQ and ADWM reviewed each of the proposed revisions with interested parties and incorporated changes, where appropriate, to clarify the rules and to provide flexibility to the regulated community while still meeting the objectives of the rule and maintaining air quality benefits.

#### VIII. References

Arizona Automotive Trade Organization, Gasoline Price Survey Data for January 1995 through February 1999.

Environmental Protection Agency. May 1996. Air Quality Criteria for Particulate Matter.

Maricopa Association of Governments, January 1999. Revised Technical Support Document for Carbon Monoxide in

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1. Also, family-owned gasoline stations outside the CBG covered area may be affected if they receive excess quality gasoline. For instance, retail outlets outside of the CBG covered area may receive excess CBG rather than conventional gasoline.

Support of the 1999 Serious Area State Implementation Plan for Maricopa County, Arizona.

Maricopa Association of Governments, December 1997. Serious Area Committed Particulate Measures for PM-10 for the Maricopa County Nonattainment Area and Support Technical Analysis.

MathPro, Inc., November 7, 1996. Assessment of Fuel Formulation Options for Maricopa County.

MathPro, Inc., February 16, 1998. Evaluation of Gasoline and Diesel Fuel Options for Maricopa County.

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Table 1. Comparison of Conventional and Reformulated Gasoline Prices

TEXAS 1995	Premium Conventional Rack	Premium RFG Rack	Price Difference		All Grades Conventional Rack	All Grades RFG Rack	Price Difference
January	59.4	65.8	6.4		52.9	58.9	6.0
February	61.5	67.1	5.6		54.7	60.1	5.4
March	61.2	64.6	3.4		54.8	57.4	2.6
April	70.7	72.9	2.2		63.5	65.7	2.2
May	75.8	78.8	3.0		68.9	71.3	2.4
June	70.2	74.0	3.8		63.1	66.3	3.2
July	63.0	66.8	3.8		55.4	58.9	3.5
August	64.3	67.3	3.0		56.8	59.9	3.1
September	64.1	67.0	2.9		56.8	59.8	3.0
October	59.4	61.5	2.1		51.6	54.3	2.7
November	59.3	61.1	1.8		52.0	53.9	1.9
December	61.8	64.2	2.4		54.3	56.9	2.6
AVERAGE	64.23	67.59	3.37		57.07	60.28	3.22

TEXAS 1996	Premium Conventional Rack	Premium RFG Rack	Price Difference		All Grades Conventional Rack	All Grades RFG Rack	Price Difference
January	63.3	66.0	2.7		55.2	56.9	1.7
February	64.1	66.8	2.7		56.2	58.4	2.2
March	71.5	73.9	2.4		64.2	59.2	-5.0
April	80.1	83.3	3.2		72.4	66.2	-6.2
May	79.2	82.1	2.9		71.6	75.3	3.7
June	72.8	73.2	0.4		65.3	73.6	8.3
July	73.4	73.6	0.2		65.7	65.1	-0.6
August	72.9	73.0	0.1		65.1	66.3	1.2
September	73.4	74.5	1.1		65.7	65.7	0.0
October	75.8	77.3	1.5		68.2	66.7	-1.5
November	78.5	79.4	0.9		70.9	69.6	-1.3
AVERAGE	73.18	74.83	1.65		65.50	65.73	0.23

Source: U.S. Department of Energy, Energy Information Administration

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Table 2. Comparison of Conventional and Reformulated Gasoline Prices

CALIFORNIA 1995	Premium Conventional Rack	Premium RFG Rack	Price Difference		All Grades Conventional Rack	All Grades RFG Rack	Price Difference
January	71.5	69.7	-1.8		61.3	61.89	0.5
February	65.7	69.7	4.0		56.0	61.4	5.4
March	67.0	69.2	2.2		57.8	61.1	3.3
April	72.6	74.4	1.8		63.8	65.9	2.1
May	75.5	76.4	0.9		66.5	68.0	1.5
June	74.1	72.6	-1.5		64.6	63.6	-1.0
July	72.2	71.5	-0.7		62.8	62.4	-0.4
August	71.7	72.3	0.6		62.5	63.9	1.4
September	71.4	71.1	-0.3		62.4	62.6	0.2
October	72.7	70.9	-1.8		63.4	63.7	0.3
November		72.4				63.4	
December		71.4			63.6	63.0	-0.6
AVERAGE	71.44	71.80	0.34		62.25	63.40	1.15

CALIFORNIA 1996	Premium Conventional Rack	Premium RFG Rack	Price Difference		All Grades Conventional Rack	All Grades RFG Rack	Price Difference
January			0.0		61.8	62.4	0.6
February			0.0		60.0	65.8	5.8
March			0.0		71.6	72.5	0.9
April			0.0		83.4	90.1	6.7
May			0.0		95.3	87.4	-7.9
June			0.0		85.2	83.8	-1.4
July			0.0		79.1	82.5	3.4
August			0.0		78.7	67.3	-11.4
September			0.0		80.0	70.1	-9.9
October			0.0		75.4	69.4	-6.0
November			0.0		70.6	63.3	-7.3
AVERAGE					76.46	74.05	-2.41

Source: U.S. Department of Energy, Energy Information Administration

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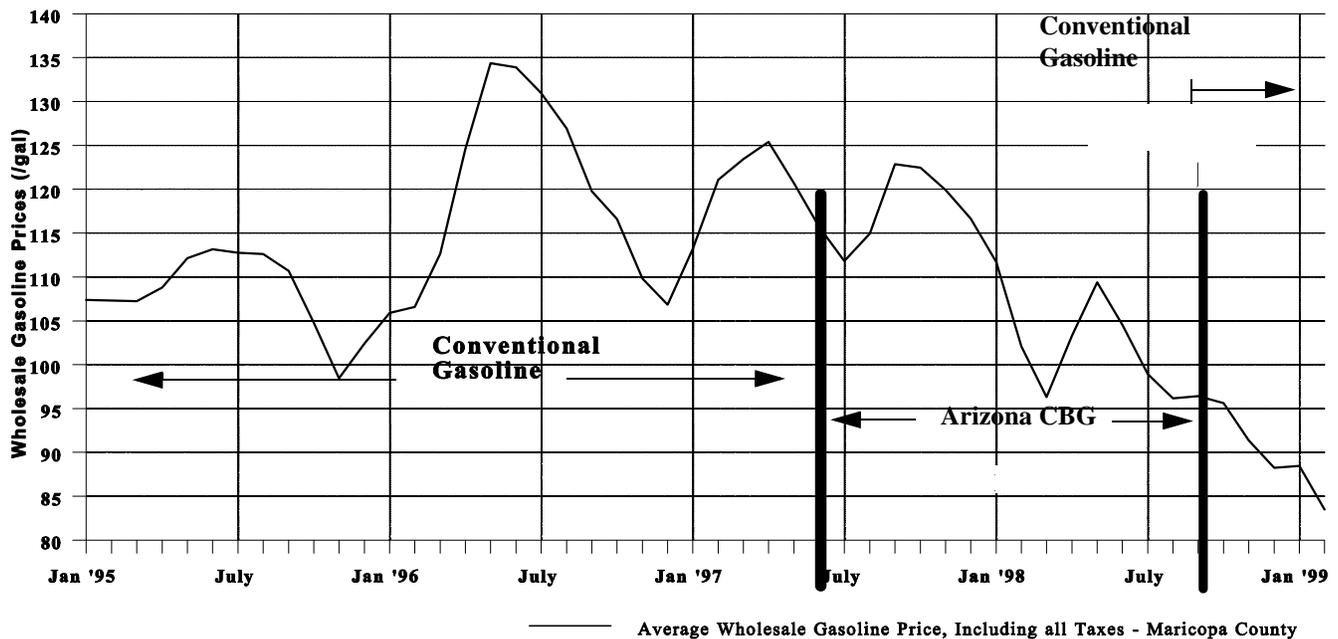
Table 3. Comparison of Conventional and Reformulated Gasoline Prices

ARIZONA 1995	All Grades Conventional Rack	Pipeline Tariff	Adjusted Price		California All Grades RFG Rack	Price Difference
January	60.1	2.7	57.4		61.8	4.4
February	60.7	2.7	58.0		61.4	3.4
March	61.6	2.7	58.9		61.1	2.2
April	67.9	2.7	65.2		65.9	0.7
May	71.2	2.7	68.5		68.0	-0.5
June	67.5	2.7	64.8		63.6	-1.2
July	64.7	2.7	62.0		62.4	0.4
August	64.3	2.7	61.6		63.9	2.3
September	65.0	2.7	62.3		62.6	0.3
October	63.0	2.7	60.3		63.7	3.4
November	61.1	2.7	58.4		63.4	5.0
December	62.1	2.7	59.4		63.0	3.6
<b>AVERAGE</b>	64.10		61.41		63.40	1.99

ARIZONA 1996	All Grades Conventional Rack	Pipeline Tariff	Price Difference		California All Grades RFG Rack	Price Difference
January	62.3	2.7	59.6		62.4	2.8
February	64.8	2.7	62.1		65.8	3.7
March	76.3	2.7	73.6		72.5	-1.1
April	84.0	2.7	81.3		90.1	8.8
May	84.5	2.7	81.8		87.4	5.6
June	78.9	2.7	76.2		83.8	7.6
July	79.7	2.7	77.0		82.5	5.5
August	75.1	2.7	72.4		67.3	-5.1
September	77.1	2.7	74.4		70.1	-4.3
October	72.2	2.7	69.5		69.4	-0.1
November	66.2	2.7	63.5		63.3	-0.2
<b>AVERAGE</b>	74.65		71.95		74.05	2.10

Source: U.S. Department of Energy, Energy Information Administration

**Wholesale Gasoline Prices for Maricopa County**  
**TABLE 4**  
**During Periods of Conventional Gasoline and Arizona CBG Sales**



Source: Arizona Automotive Trade Organization, March 1999

**9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:**

Name: Michelle Ringsmuth, Air Quality Planning Section  
Address: Department of Environmental Quality  
3003 North Central Ave. T-5109B  
Phoenix, Arizona 85012-2905  
Telephone: (602) 207-2372 (Any extension may be reached in-state by dialing 1-800-234-5677, and asking for that extension)  
Fax: (602) 207-2366

**10. The time, place, and nature of the proceedings for the adoption, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when and how persons may request an oral proceeding on the proposed rule:**

Date: June 8, 1999  
Time: 9:30 a.m.  
Location: Arizona Department of Environmental Quality, Room 1710, 3033 North Central, Phoenix, Arizona (Please call (602) 207-2372 for special accommodations pursuant to the Americans with Disabilities Act.)  
Nature: Public hearing with opportunity for formal comments on the record regarding the proposed rules and submission of rules to the Environmental Protection Agency as a revision to the State Implementation Plan.  
The close of written comment is June 9, 1999.

**11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:**

Not applicable.

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**12. Incorporations by reference and their location in the rules:**

American Society of Testing and Materials (ASTM) D4815-94a: R20-2-701(27) and R20-2-759(C).

40 CFR 80.45, January 1, 1999: R20-2-758(2), R20-2-760(C) and R20-2-760(D)

40 CFR 80.46 (a) through (g), July 1, 1996: R20-2-759

**13. The full text of the rules follows:**

**TITLE 20. COMMERCE, BANKING, AND INSURANCE**

**CHAPTER 2. DEPARTMENT OF WEIGHTS AND MEASURES**

**ARTICLE 7. MOTOR FUELS AND PETROLEUM PRODUCTS**

Section

R20-2-701. Definitions

R20-2-750. Registration Relating to Arizona CBG or AZRBOB

R20-2-751. ~~Area A~~ Arizona CBG Requirements ~~–1999 and later~~

R20-2-752. General Requirements for Registered Suppliers

R20-2-753. General Requirements for Pipelines and 3rd-Party Terminals

R20-2-754. Downstream Blending Exceptions for Transmix

R20-2-755. Additional Requirements for AZRBOB and Downstream Oxygenate Blending

R20-2-756. Downstream Blending of Arizona CBG with Nonoxygenate Blendstocks

R20-2-757. Product Transfer Documentation; Records Retention

R20-2-758. Adoption of Fuel Certification Models

R20-2-759. Testing Methodologies

R20-2-760. Compliance Surveys

R20-2-761. Liability for Noncompliant Arizona CBG or AZRBOB Gasoline

R20-2-762. Penalties

Table 1. Type 1 Gasoline Standards

Table 2. Type 2 Gasoline Standards

**ARTICLE 7. MOTOR FUELS AND PETROLEUM PRODUCTS**

**R20-2-701. Definitions**

The following definitions and definitions contained in A.R.S. §§ 41-2051, 41-2121, and Article 1 of this Chapter shall apply to this Article unless the context otherwise requires:

1. "Area A" has the same meaning as in A.R.S. § 49-541.

2. "Area B" has the same meaning as in A.R.S. § 49-541.

3.1. "Arizona Cleaner Burning Gasoline" or "Arizona CBG" means a gasoline blend that meets the requirements of this Article for gasoline produced and shipped to or within Arizona Maricopa County and sold or offered for sale for use in motor vehicles within the CBG covered area, except as provided under A.R.S. § 41-2124(K) in area A.

4.2. "AZRBOB" or "Arizona Reformulated Blendstock for Oxygenate Blending" means a petroleum-derived fuel which is intended to be or is represented as a fuel that constitutes Arizona CBG upon the addition of a specified type and percentage (or range of percentages) of oxygenate after the fuel has been supplied from the production or import facility at which it was produced or imported.

5.3. "Batch" means a quantity of gasoline which is homogeneous for those fuel properties which are specified for Arizona CBG certified under R20-2-751.

6.4. "Beginning of transport" means the point at which:

a. A registered supplier relinquishes custody of Arizona CBG or AZRBOB to a transporter or a 3rd-party terminal, or

b. A registered supplier who retains custody commences transfer of Arizona CBG or AZRBOB into a vessel, tanker, or other container for transport to the CBG covered area ~~area A.~~

7.5. "Blendstock" means any liquid compound which is blended with other liquid compounds to produce Arizona CBG gasoline. Deposit control additives or other similar additives registered under 40 CFR 79 are not considered blendstocks.

8. "CBG covered area" means:

a. Before January 1, 2001, a county with a population of one million two hundred thousand or more persons according to the most recent United States decennial census and any portion of a county, except Pinal County, contained in area A; and

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- b. From and after December 31, 2000, a county with a population of one million two hundred thousand or more persons according to the most recent United States decennial census and any portion of a county contained in area A.
- ~~9.6.~~ “Conventional gasoline” means a gasoline blend which conforms with the requirements of this Chapter for sale or use in Arizona, but does not meet the requirements of Arizona CBG or AZRBOB.
- ~~10.7.~~ “Co-solvent” means a chemical compound soluble in, and added to, a methanol-gasoline blend to prevent phase separation, reduce corrosion, and improve lubrication. A co-solvent may be any 1 or a mixture of the following:
- a. Ethanol,
  - b. Any propanol,
  - c. Any butanol, or
  - d. Gasoline grade tertiary butyl alcohol.
- ~~11.8.~~ “Designated alternative limit” means a fuel property specification limit, expressed in the nearest part per million by weight for sulfur content, nearest 10th percent by volume for aromatic hydrocarbon content, nearest 10th percent by volume for olefin content, and nearest degree Fahrenheit for T90 and T50, which is assigned by a registered supplier to a final blend of Type 2 CBG or AZRBOB for purposes of compliance with ~~the averaging standards in Table 2, Column B or~~ the Predictive Model.
- ~~12.9.~~ “Diesel fuel” means a hydrocarbon fuel that is suitable for use as a fuel in a diesel engine.
- ~~13.10.~~ “Downstream oxygenate blending” means blending fungible Arizona CBG from AZRBOB and an oxygenate.
- ~~14.11.~~ “EPA waiver” means a waiver granted by the Environmental Protection Agency in “Waiver Requests under Section 211(f) of the Clean Air Act”, which is incorporated by reference in R20-2-702.
- ~~15.12.~~ “Final distribution facility” means the stationary gasoline transfer point from which motor fuel ~~Arizona CBG or AZRBOB~~ is transferred into the cargo tank truck, pipeline, or other delivery vessel from which the motor fuel ~~gasoline~~ will be delivered to a facility where motor fuel ~~gasoline~~ is dispensed into motor vehicles. A cargo tank truck is a final distribution facility if the cargo tank truck transports motor fuel ~~gasoline~~ or AZRBOB and carries documentation that the type and amount or range of amounts of oxygenates designated by the registered supplier will be or have been blended directly into the cargo tank truck prior to delivery of the resulting motor fuel ~~gasoline~~ to the facility where motor fuel ~~gasoline~~ is dispensed into motor vehicles.
- ~~13.~~ “Fuel” means ~~any material capable of releasing energy or power by combustion or other chemical or physical reaction.~~
- ~~16.14.~~ “Fuel property” means any characteristic listed in R20-2-751(A)(1) through (A)(7), R20-2-751(B)(1) through (7), or Table 2.
- ~~17.15.~~ “Importer” means any person who assumes title or ownership of Arizona CBG or AZRBOB produced by an unregistered supplier.
- ~~16.~~ “Lead” means ~~the lead compound in gasoline, including tetraethyl lead, tetramethyl lead, physical mixtures of tetraethyl lead and tetramethyl lead, and reacted mixtures of tetraethyl lead and tetramethyl lead.~~
- ~~18.~~ “Motor fuel” means a gasoline blend or diesel fuel used to power a motor vehicle.
- ~~19.17.~~ “Motor vehicle” means any vehicle equipped with a spark-ignited or compression-ignition internal combustion engine except:
- a. Vehicles that run on, or are guided by, rails; or
  - b. Vehicles that are designed primarily for travel through air or water.
- ~~20.18.~~ “MTBE” means methyl tertiary butyl ether.
- ~~21.19.~~ “NOx” means oxides of nitrogen.
- ~~22.20.~~ “Octane”, “octane number”, or “octane rating” mean the anti-knock characteristic of gasoline as determined by the resultant arithmetic test average of ASTM D2699 and ASTM D2700 ~~adding the research octane number and the motor octane number and dividing by two, or (R+M)/2.~~
- ~~23.21.~~ “Oxygenate” means any oxygen-containing, ashless, organic compound including aliphatic alcohols and aliphatic ethers, which is able to be used as a fuel or as a gasoline blending component and is approved as a blending agent under a waiver issued by the EPA under pursuant to 42 U.S.C. 7545(f).
- ~~24.22.~~ “Oxygenate blending facility” means any facility (including a truck) where oxygenate is added to Arizona CBG or AZRBOB, and the quality or quantity of Arizona CBG ~~gasoline~~ is not altered in any other manner except for the addition of deposit control additives or other similar additives registered under 40 CFR 79.
- ~~25.23.~~ “Oxygenate blender” means any person who owns, leases, operates, controls, or supervises an oxygenate blending facility, or who owns or controls the blendstock or gasoline used, or the gasoline produced, at an oxygenate blending facility.
- ~~26.24.~~ “Oxygenated Arizona CBG” means Arizona CBG with a minimum oxygen content of 3.5% ~~2.7%~~ which is produced and shipped to or within Arizona ~~Maricopa County~~ and sold or offered for sale for use in motor vehicles in the CBG covered area ~~area A~~ from November 1 through March 31 of each year.
- ~~27.25.~~ “Oxygen content” means:

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- a. ~~For area A,~~ the percentage by weight of oxygen contained in a gasoline oxygenate blend as calculated by ASTM D4815-94a, ~~D4815-96;~~ or
- b. For all other areas, the percent by weight of oxygen as calculated by multiplying the following oxygen weight of any oxygenate by the volumetric percent of that oxygenate in the blend. Weight of oxygen for:
- i. Methyl Tertiary Butyl Ether: 18.2%;
  - ii. Ethanol: 34.7%;
  - iii. Methanol: 49.9%, and
  - iv. ~~Other oxygenates in the Merck Index incorporated by reference in R20-2-702.~~
- ~~28.26.~~ “Performance standard” means the VOC and NOx emission reduction percentages in R20-2-751(A)(8), R20-2-751(A)(9), or Table 1.
- ~~29.27.~~ “Pipeline” means a transporter who owns or operates an interstate common-carrier pipe used to transport motor fuels into Arizona.
- ~~30.28.~~ “PM” or “Predictive Model Procedures” means the California Predictive Model, California Air Resources Board’s “California Procedures for Evaluating Alternative Specification for Phase 2 Reformulated Gasoline Using the California Predictive Model,” as adopted April 20, 1995, and which is incorporated by reference in R20-2-758.
- ~~31.29.~~ “PM alternative gasoline formulation” means a final blend of Arizona CBG or AZRBOB that is subject to a set of PM alternative specifications.
- ~~32.30.~~ “PM alternative specifications” means the specifications for the following fuel properties, as determined in accordance with R20-2-759:
- a. ~~Maximum~~ maximum RVP, expressed in the nearest 100th of a pound per square inch;
  - b. ~~Maximum~~ maximum sulfur content, expressed in the nearest part per million by weight;
  - c. ~~Maximum~~ maximum olefin content, expressed in the nearest 10th of a percent by volume;
  - d. ~~Minimum~~ minimum and maximum oxygen content, expressed in the nearest 10th of a percent by weight;
  - e. ~~Maximum~~ maximum T50, expressed in the nearest degree Fahrenheit;
  - f. ~~Maximum~~ maximum T90, expressed in the nearest degree Fahrenheit; and
  - g. ~~Maximum~~ maximum aromatic hydrocarbon content, expressed in the nearest 10th of a percent by volume.
- ~~33.31.~~ “PM averaging compliance option” means, with reference to a specific fuel property, the compliance option for PM alternative gasoline formulations ~~by through~~ which final blends of Arizona CBG and AZRBOB gasoline are assigned designated alternative limits in accordance with R20-2-751(F),(G),and (H) ~~(D), (E) and (F)~~.
- ~~34.32.~~ “PM averaging limit” means a PM alternative specification that is subject to the PM averaging compliance option.
- ~~35.33.~~ “PM flat limit” means a PM alternative specification that is subject to the PM flat limit compliance option.
- ~~36.34.~~ “PM flat limit compliance option” means, with reference to a specific fuel property, the compliance option ~~that~~ under which each gallon of gasoline must meet for the specified specification ~~for the~~ fuel property contained in the PM alternative specifications.
- ~~37.35.~~ “Produce” means:
- a. Except as otherwise provided in subsections (b) or (c), to convert liquid compounds which are not Arizona CBG or AZRBOB into Arizona CBG or AZRBOB. If a person blends ~~volumes of~~ blendstocks which are not Arizona CBG or AZRBOB with ~~volumes of~~ Arizona CBG or AZRBOB acquired from another person, and the resulting blend is Arizona CBG or AZRBOB, the person conducting the blending produces only the portion of the blend not previously Arizona CBG or AZRBOB. If a person blends Arizona CBG or AZRBOB with other ~~volumes of~~ Arizona CBG or AZRBOB in accordance with this Article, without the addition of blendstocks which are not Arizona CBG or AZRBOB, that person is not a producer of Arizona CBG or AZRBOB.
  - b. If a person supplies Arizona CBG or AZRBOB to a refiner who agrees in writing to further process the Arizona CBG or AZRBOB at the refiner's refinery and ~~to~~ be treated as the producer of the Arizona CBG or AZRBOB, the refiner ~~is shall be~~ deemed the producer of the Arizona CBG or AZRBOB.
  - c. If an oxygenate blender blends oxygenates into AZRBOB supplied from a gasoline production facility or import facility, and does not alter the quality or quantity of the AZRBOB or the quality or quantity of the resulting Arizona CBG gasoline certified by a registered supplier in any other manner except for the addition of deposit control additives or other similar additives, then the oxygenate blender is not a producer of any portion of the resulting Arizona CBG gasoline, and the producer or importer of the AZRBOB ~~is shall be~~ considered the producer or importer of the full volume of the resulting Arizona CBG gasoline.
- ~~38.36.~~ “Producer” means a refiner or other person who produces Arizona CBG or AZRBOB.
- ~~39.37.~~ “Production facility” means a facility where Arizona CBG or AZRBOB is produced. Upon request of a producer, the Director may designate, as part of the producer's production facility, a physically separate bulk storage facility which:
- a. Is owned or leased by the producer;
  - b. Is operated by or at the direction of the producer, and
  - c. Is used to store or distribute Arizona CBG or AZRBOB that is supplied only from the production facility.

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- ~~40.38.~~ “Refiner” means any person who owns, leases, operates, controls or supervises a refinery in the United States, including its trust territories.
- ~~41.39.~~ “RVP” means Reid vapor pressure.
- ~~42.40.~~ “Refinery” means a facility that produces liquid fuels, including Arizona CBG or AZRBOB, by distilling petroleum.
- ~~43.41.~~ “Registered supplier” means any producer or importer who supplies Arizona CBG or AZRBOB and is registered with the Director as required in R20-2-750.
- ~~44.~~ “Reproducibility” means the testing method margin of error as provided in the ASTM or other testing method required under this Article.
- ~~45.42.~~ “Service station” means a ~~retail business place~~ operated for the purpose of ~~dispensing~~ delivering motor fuel into the fuel tanks of motor vehicles.
- ~~46.43.~~ “Supply” means to provide or transfer motor fuel ~~a product~~ to a physically separate facility, vehicle, or transportation system.
- ~~47.44.~~ “Third-party terminal” or “3rd-party terminal” means an owner or operator of a gasoline storage tank facility ~~who that~~ accepts custody, but not ownership, of Arizona CBG or AZRBOB from a registered supplier and relinquishes custody of Arizona CBG or AZRBOB to a transporter for interstate transport into Arizona.
- ~~48.45.~~ “Transmix” means a mixture of petroleum distillate fuel and gasoline that does not meet the Arizona standards for either petroleum distillate fuels or gasoline.
- ~~49.46.~~ “Transporter” means any person who is not a producer or importer and who:
- a. ~~Causes Effects~~ transport of Arizona CBG or AZRBOB into Arizona; and
  - b. Does not acquire title or assume ownership of the Arizona CBG or AZRBOB.
- ~~50.47.~~ “Type 1 gasoline” means a gasoline that meets the standards contained in R20-2-751(A) and Table 1.
- ~~51.48.~~ “Type 2 gasoline” means a gasoline that meets the standards contained in ~~R20-2-751(A) and~~ Table 2, or is certified using the PM according to the requirements of R20-2-751(F), (G), and (H) ~~(D), (E) and (F), and~~:
- a. Meets the requirements in R20-2-751(A) from and after May 1, 1999, through October 31, 2000, and from the period beginning April 1 through October 31 of each subsequent year; and
  - b. Meets the requirements in R20-2-751(B) from and after November 1, 2000, through March 31, 2001, and from the period beginning November 2 through March 31 of each subsequent year.
- ~~52.49.~~ “VOC” means volatile organic compound.

**R20-2-750. Registration Relating to Arizona CBG or AZRBOB**

- A. Each of the following persons shall register with the Director in advance of the 1st date that the person will produce, ~~or~~ import, or obtain custody of Arizona CBG or AZRBOB:
1. Any refiner who produces Arizona CBG or AZRBOB ~~for sale on or after June 1, 1998;~~
  2. Any importer who imports Arizona CBG or AZRBOB ~~for sale on or after June 1, 1998;~~
  3. Any oxygenate blender who blends oxygenate with AZRBOB to produce Arizona CBG ~~for sale on or after June 1, 1998;~~ or
  4. Any pipeline or 3rd-party terminal who has custody of Arizona CBG or AZRBOB ~~on or after June 1, 1998.~~
- B. Registration shall be on forms prescribed by the Director and shall include the following information:
1. The business name and business address of the person registered in subsection (A) and a contact name and telephone number;
  2. For each separate refinery and oxygenate blending facility, the facility name, physical location, contact name, telephone number, and type of facility;
  3. For each separate refinery and oxygenate blending facility, and for each importer:
    - a. The location of the records required under this Article. ~~If~~ if records are kept off-site, the primary off-site storage facility name, physical location, contact name, and telephone number; and
    - b. If an independent laboratory is used to meet the requirements of R20-2-752(F), the name, address, contact name and telephone number of the independent laboratory.
  4. If required under 40 CFR 80.76(d), the EPA registration number; and
  5. A statement of the registrant’s consent that the Department or its authorized agent shall be permitted to collect samples and access records as provided in R20-2-721.
- C. Changes to any information in subsection (B) shall be sent to the Director not later than 10 days after the effective date of the change.
- D. If a refiner, importer, or oxygenate blender fails to register under this Section, all Arizona CBG or AZRBOB transported to the CBG covered area ~~area A~~ is presumed noncomplying from the date that the registration should have occurred.
- E. The Department shall maintain a listing of all registered suppliers.

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**R20-2-751. ~~Area A~~ Arizona CBG Requirements—~~1999 and later~~**

**A.** In addition to the other requirements of this Article and except as provided under subsection (B), from and after May 1, 1999, all Arizona CBG shall meet ~~all of~~ the following requirements. The dates in this subsection are compliance dates for service station operators and fleet owners.

**Fuel Property/Performance Standard Limits**

1. Sulfur 500 ppm by weight (max)
2. Aromatics 50% by volume, (max)
3. Olefins 25% by volume (max)
4. E200 70-30% volume
5. E300 100-70% volume
6. Maximum Vapor Pressure
  - a. ~~October 1 Oct. 1~~ - March 31 9.0 pounds per square inch (psi)
  - b. April 10.0 psi
  - c. May 9.0 psi
  - d. June 1 - September 30 7.0 psi
7. Oxygen and Oxygenates
  - a. Minimum Content:
    - i. November 1 - March 31 10% ethanol by volume  
2.7% oxygen by weight (other than ethanol)
    - ii. April 1 - October 31 0% by weight
  - b. The maximum oxygen content shall not exceed 4.0% by weight for ethanol and 3.5% by weight for other oxygenates, and shall comply with the requirements of A.R.S. § 41-2123.
8. Federal Complex Model VOC Emissions ~~Performance~~ Reduction Percentage  
May 1 through September 15 ≥25.0% (Federal Complex Model settings: Summer, Area Class B, Phase 2)
9. Federal Complex Model NOx Emissions ~~Performance~~ Reduction
  - a. ~~May 1 - September 15~~ ≥3.0% (Federal Complex Model settings: Summer, Area Class B, Phase 2)
  - b. ~~September 16 - April 30~~ ≥2.5% (Federal Complex Model settings: Winter, Area Class B, Phase 2)

**B.** In addition to the other requirements of this Article, from and after November 1, 2000 through March 31, 2001, and from the period beginning November 2 through March 31 of each subsequent year, all Arizona CBG shall meet the following requirements. The dates in this subsection are compliance dates for service station operators and fleet owners.

**Fuel Property**

**Limits**

- |   |  |
|---|--|
| 1. Sulfur   | 80 ppm by weight (max)   |
| 2. Aromatics  | 30% by volume. (max)   |
| 3. Olefins  | 10% by volume (max)  |
| 4. 90% Distillation Temperature (T90)   | 330 degrees Fahrenheit (°F) (max)  |
| 5. 50% Distillation Temperature (T50)   | 220 °F (max)   |
| 6. Vapor Pressure   | 9.0 pounds per square inch (psi) (max)   |
| 7. Oxygenate - Ethanol  |  |
| a. Minimum oxygenate content  | 10% ethanol by volume  |
| b. Maximum oxygen content   | 4.0% oxygen by weight, and shall comply with the requirements of A.R.S. § 41-2123. |
| c. Alternative oxygenates may be used if approved by the Director according to A.R.S. § 41-2124(D). |  |

**C.** ~~B.~~ Except as provided in subsection (D), all AH registered suppliers shall make an initial election, and subsequent elections if a change occurs, before the beginning of transport of the Arizona CBG or AZRBOB. Registered suppliers shall make the election with the Director on a form or in a format prescribed by the Director. The election shall state:

1. Whether the registered supplier (at each point where the Arizona CBG or AZRBOB gasoline is certified) will supply Arizona CBG or AZRBOB that complies with the Type 1 gasoline, Type 2 gasoline, or the PM alternative gasoline formulation requirements; and
2. For each applicable fuel property or performance standard for the election in subsection (C)(1) with respect to the type of Arizona CBG or AZRBOB, whether the Arizona CBG or AZRBOB will comply with the average standards or per gallon standards. A registered supplier shall not elect to comply with average standards unless the registered supplier is in compliance with R20-2-760. A registered supplier shall not elect to comply with Type 1 average standards in Table 1, columns B and C, from and after September 15, 2000, during the time periods of September 16 through November 1 and April 1 through April 30.

**D.** From and after November 1, 2000, through March 31, 2001, and from the period beginning November 2 through March 31 of each subsequent year, all Arizona CBG or AZRBOB shall comply with Type 2 gasoline requirements or the PM alternative gasoline formulation requirements under Table 2. All registered suppliers shall make an initial election, and subsequent elections if a change occurs, before the beginning of transport of the Arizona CBG or AZRBOB. Registered

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suppliers shall make the election with the Director on a form or in a format prescribed by the Director. The election shall state:

1. Whether the registered supplier (at each point where the Arizona CBG or AZRBOB is certified) will supply Arizona CBG or AZRBOB that complies with the Type 2 gasoline or the PM alternative gasoline formulation requirements; and
2. For each applicable fuel property, whether the Arizona CBG or AZRBOB will comply with the average standards or per gallon standards.

**E.C.** Registered suppliers shall certify Arizona CBG or AZRBOB under R20-2-752 as meeting all requirements of the election made in subsection (C) or (D) ~~(B)~~. Type 1 gasoline shall comply with the requirements in either column A, or columns B and C in addition to the oxygen requirements in columns C and D of Table 1, and shall be certified using the Federal Complex Model. For each fuel property, Type 2 gasoline shall comply with the requirements of columns A and B (averaging ~~option options~~) or column C (Non-averaging option) in Table 2. The PM alternative gasoline formulation shall meet the requirements of subsections (F), (G), and (H) ~~(D), (E) and (F)~~, and column A of Table 2.

**F.D.** Certification and Use of Predictive Model for Alternative PM Gasoline Formulations.

1. Except as provided in subsections (F)(4) and (H) ~~(D)(4) and (F)~~, the use of the PM shall be as provided in the Predictive Model Procedures.
2. A registered supplier shall certify a PM alternative gasoline formulation with the Director by either:
  - a. Submitting a complete copy of the documentation provided to the executive officer of the California Air Resources Board in accordance with 13 California Code of Regulations, Section 2264 and subsection (H) to the Director; or
  - b. Notifying the Director, on a form prescribed by or in a format acceptable to the Director, of:
    - i. The PM alternative specifications that apply to the final blend, including for each specification whether it is a PM flat limit or a PM averaging limit; and
    - ii. The numerical values for percent change in emissions for oxides of nitrogen and hydrocarbons determined in accordance with the Predictive Model Procedures.
3. The certification shall be received by the Director before the beginning of transport of the PM alternative gasoline formulation.
4. Restrictions for elections to sell or supply final blends as PM alternative gasoline formulations.
  - a. A registered supplier may not make a new election to sell or supply from its production or import facility a final blend of Arizona CBG as a PM alternative gasoline formulation if the registered supplier has any outstanding requirements to provide offsets for fuel properties at the same production or import facility under subsection (I) ~~(G)~~.
  - b. If a registered supplier elects to sell or supply from its production or import facility a final blend of Arizona CBG as a PM alternative gasoline formulation subject to a PM averaging compliance option for 1 or more fuel properties, the registered supplier may not elect any other compliance option, including another PM alternative gasoline formulation, if outstanding requirements to provide offsets for fuel properties exist under the provisions of subsection (I) ~~(G)~~. This subsection ~~(b)~~ shall not preclude a registered supplier from electing another PM alternative gasoline formulation if:
    - i. The PM flat limit for 1 or more fuel ~~properties property~~ is changed to a PM averaging limit, or a single PM averaging limit for which there are no outstanding requirements to provide offsets, is changed to a PM flat limit;
    - ii. There are no changes to the PM alternative specifications for remaining fuel properties; and
    - iii. The new PM alternative formulation meets the criteria in the Predictive Model Procedures.
  - c. Once a registered supplier elects to sell or supply from its production or import facility a final blend of Arizona CBG as a PM alternative gasoline formulation, the registered supplier may not use a previously assigned designated alternative limit for a fuel property to provide offsets under subsection (I) ~~(G)~~.
  - d. If a registered supplier notifies the Director under subsection (C) or (D) ~~(B)~~ that a final blend of Arizona CBG is sold or supplied from a production or import facility as a PM alternative gasoline formulation, all final blends of Arizona CBG or AZRBOB subsequently sold or supplied from that production or import facility are subject to the same PM alternative specifications until the registered supplier either:
    - i. Designates a final blend at that facility as a PM alternative gasoline formulation subject to different PM alternative specifications, or
    - ii. Elects, under subsection (C) or (D) ~~(B)~~, a final blend at that facility subject to a flat limit compliance option or an averaging compliance option.

**G.E.** Prohibited activities regarding PM alternative gasoline formulations.

1. A registered supplier shall not sell, offer for sale, supply, or offer to ~~for~~ supply from its production or import facility Arizona CBG which is reported as a PM alternative gasoline formulation under R20-2-752 if any of the following occur:

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- a. The elected PM alternative specifications do not meet the criteria for approval in the Predictive Model Procedures; ~~or~~
- b. The registered supplier is prohibited by subsection ~~(F)(4)(a)~~ ~~(D)(4)(a)~~ from electing to sell or supply the gasoline as a PM alternative gasoline formulation;
- c. The gasoline fails to conform with any PM flat limit in the PM alternative specifications election; or
- d. With respect to any fuel property for which the registered supplier elects a PM averaging limit,
  - i. The gasoline exceeds the applicable PM average limit in Table 2, column B, and no designated alternative limit for the fuel property is established for the gasoline in accordance with subsection ~~(F)(2)~~ ~~(D)(2)~~; or
  - ii. A designated alternative limit for the fuel property is established for the gasoline in accordance with subsection ~~(F)(2)~~ ~~(D)(2)~~, and either of the following occur: the gasoline exceeds the designated alternative limit for the fuel property; or ~~when~~ ~~where~~ the designated alternative limit for the fuel property exceeds the PM averaging limit, the exceedance is not fully offset in accordance with subsection ~~(I)~~ ~~(G)~~.

~~H.F.~~ All alternative PM gasoline formulations from November 1 through March 31 shall comply with oxygen content requirements for the CBG covered area ~~area A~~. Regardless of the oxygen content, the final alternative PM gasoline formulation shall be certified using:

- ~~1. Using the PM with a minimum~~ an oxygen content of 2.0% ~~2.7%~~ by weight; ~~or~~
- ~~2. According to subsection D(2)(a).~~

~~I.G.~~ Offsetting Fuel Properties and Performance Standards. ~~Each Beginning April 1, 1999, each~~ registered supplier who elects to comply with the averaging standards for any of the fuel properties or performance standards contained in Tables 1 or 2, or the PM, shall complete physical transfer from the same production or import facility of certified Arizona CBG or AZRBOB in sufficient quantity to offset the amount which the gasoline exceeds the averaging standard according to the following schedule:

1. Registered suppliers electing averaging standards contained in Table 2 or the PM shall offset each exceeded average standard within 90 days before or after the beginning of transport of any final blend of Arizona CBG or AZRBOB from a production or import facility;
2. Registered suppliers electing to comply with the averaging standard for the VOC Emission Reduction Percentage in Table 1, column B, shall offset an exceedance of the standards which occurs ~~occurring~~ from May 1 to September 15 of each calendar year during that same time period;
3. Registered suppliers electing to comply with the averaging standard for the NOx Emission Reduction Percentage contained in Table 1, column B, shall offset an exceedance of the summer standard which occur ~~occurring~~ from May 1 to September 15 of each calendar year during that same time period; and
4. Registered suppliers electing to comply with the averaging standard for the NOx Emission Reduction Percentage contained in Table 1, column B, shall offset an exceedance of the winter standards ~~standard~~ which occurs ~~occurring~~ from September 16, 1999 to April 30, 2000, during that same time period.

~~I.H.~~ Consequence of failure to comply with averages.

1. In addition to a penalty, if any, under R20-2-762, a registered supplier who fails to comply with the requirements of subsection ~~(I)~~ ~~(G)~~ shall meet the applicable per-gallon standards contained in Table 1, Table 2, or for any alternative PM gasoline formulation, for a probationary period as follows:
  - a. For registered suppliers ~~persons~~ electing to comply with the standards contained in Table 1, the probationary period shall begin on the 1st day of the next corresponding averaging season and end on the last day of that averaging season if the conditions of subsection (2) are met.
  - b. For registered suppliers ~~persons~~ electing to comply with the standards contained in Table 2 or the PM, the probationary period shall begin no later than 90 days after the registered supplier determines, or receives a notice from the Director, that the registered supplier did not comply with the requirements of subsection ~~(I)~~ ~~(G)~~. Before the probationary period begins, the registered supplier shall notify the Director in writing of the beginning date of the probationary period. The probationary period shall be 90 days.
2. A registered supplier may not produce or import Arizona CBG or AZRBOB under an averaging compliance election until:
  - a. The registered supplier submits a compliance plan to the Director that includes:
    - i. An implementation schedule for actions that will be taken to correct ~~prevent~~ noncompliance, and
    - ii. Reporting requirements that ~~will~~ document ~~that~~ the plan is being implemented;
  - b. The plan is approved by the Director;
  - c. The plan is implemented; and
  - d. Compliance is achieved.
3. If a registered supplier fails to comply with the requirements of subsection ~~(I)~~ ~~(G)~~ within 1 year of the end of a probationary period under subsection ~~(J)(1)~~ ~~(H)(1)~~, the registered supplier shall comply with applicable per-gallon standards for a probationary period of 2 years, or until the conditions in subsection ~~(J)(2)~~ ~~(H)(2)~~ are satisfied, whichever is later.

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- a. If a registered supplier elects compliance with the standards contained in Table 1, the probationary period shall begin on the 1st day of the next corresponding averaging season.
  - b. If a registered supplier elects compliance with the standards contained in Table 2 or the PM, the probationary period shall begin no later than 90 days after the registered supplier determines, or receives notice from the Director, that the registered supplier did not comply with the requirements of subsection ~~(I)~~ ~~(G)~~. Before the probationary period begins, the registered supplier shall notify the Director in writing of the beginning date of the probationary period.
4. If a registered supplier fails to comply with the requirements of subsection ~~(I)~~ ~~(G)~~ within 1 year of the end of a probationary period provided under subsection ~~(J)(3)~~ ~~(H)(3)~~, the registered supplier shall permanently comply with applicable per-gallon standards.

**~~K.I.~~** Effect of VOC survey failure. Each time the CBG covered area area A fails a Federal Complex Model VOC emissions reduction survey on or after May 1, 1999, conducted under R20-2-760, the Federal Complex Model VOC emissions performance reduction in R20-2-751(A)(8) and the minimum per gallon VOC emission reduction percentage in Table 1, column C shall be increased by an absolute 1.0%, not to exceed the VOC percent emissions reduction percentage per-gallon standard in Table 1, column A.

**~~L.J.~~** Effect of NOx survey failure. Each time the CBG covered area fails a NOx survey conducted under R20-2-760, the NOx average emission reduction percentage applicable to the period of May 1 through September 15 in Table 1, column B shall be increased by an absolute 1.0%. Each time area A fails a Federal Complex Model NOx emissions reduction survey on or after November 1, 1999, conducted pursuant to R20-2-760, the Federal Complex Model NOx emissions performance reduction in R20-2-751(A)(9)(b) and the minimum per gallon NOx emission reduction percentage applicable to the period of September 16 through April 30 in Table 1, column C shall be increased by an absolute 1.0%, not to exceed the NOx percent emissions reduction per-gallon standard applicable to the same time period in Table 1, column A.

**~~M.K.~~** Subsequent survey compliance. If the minimum VOC emission reduction percentage or average NOx emissions reduction percentage has been made more stringent according to subsections ~~(K)~~ ~~(L)~~ ~~(I)~~ ~~(J)~~, and the CBG covered area area A passes all emissions reduction surveys for the VOC or NOx emission reduction for 2 consecutive years, the applicable VOC or NOx emissions reduction percentage adjusted standard shall be reduced by an absolute 1%, but not below the applicable minimum Federal Complex Model emission reduction performance standard in Table 1, column C beginning in the year following the 2nd year of the compliant survey. Each standard adjusted under this paragraph shall not be decreased below the following:

1. ≥25.0% for the VOC Emission Reduction Percentage, May 1 - September 15, Table 1, column C; or
2. ≥6.8% for the NOx Emission Reduction Percentage, May 1 - September 15, Table 1, column B.

**~~N.L.~~** If ~~a the~~ VOC or NOx emissions reduction percentage is has been made less stringent under subsection ~~(M)~~ ~~(K)~~ and the CBG covered area area A fails a subsequent VOC or NOx emissions reduction survey:

1. The applicable minimum emission reduction standard in Table 1, column C and subsection (A) shall be increased by an absolute 1.0%, not to exceed the applicable minimum Federal Complex Model emission reduction performance per gallon standard in Table 1, column A beginning in the year after the survey failure; and
  2. The minimum emission reduction for the performance standard shall not be made less stringent regardless of the results of subsequent surveys for that performance standard.
1. For a VOC survey failure, the Federal Complex Model VOC emissions reduction percentage in R20-2-751(A)(8) and the minimum per gallon VOC emission reduction percentage in Table 1, column C shall be increased by an absolute 1.0%, not to exceed the VOC percent emissions reduction percentage per gallon standard in Table 1, column A;
  2. For a NOx survey failure, the NOx average emission reduction percentage applicable to the period of May 1 through September 15 in Table 1, column B shall be increased by an absolute 1.0%; and
  3. The VOC or NOx emission reduction percentage for the performance standard shall not be made less stringent regardless of the results of subsequent surveys for that performance standard.

**~~O.M.~~** Effective date for adjusted more stringent standards. If a performance standard is adjusted made more stringent by operation of subsections ~~(K)~~, ~~(L)~~, ~~(M)~~ or ~~(N)~~ ~~(I)~~, ~~(J)~~ or ~~(K)~~, the effective date for the change shall begin with the next averaging season for which the standard is applicable.

**R20-2-752. General Requirements for Registered Suppliers**

- A. Each batch of Arizona CBG or AZRBOB transported for sale or use in the CBG covered area area A from and after May 1, 1999, shall be certified as meeting the standards in this Article.
- B. Certification shall be made by the registered supplier. Certification shall be on a form or in a format prescribed by the Director and shall include a statement signed by the registered supplier responsible party that the Arizona CBG or AZRBOB meets the standards of this Article. The certification shall include information on the shipment volumes, fuel properties as determined under R20-2-759, and performance standards for each batch of Arizona CBG or AZRBOB. For each batch transported, certification shall be received by the Director on or before the 15th day of each month for the Arizona CBG or AZRBOB transported during the previous month.
- C. Record Keeping and Records Retention.

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1. Each registered supplier who samples and analyzes a final blend or shipment of Arizona CBG or AZRBOB under this Section shall maintain, for 5 years from the date of each sampling, records of the following:
    - a. Sample date;
    - b. Identity of blend or product sampled;
    - c. Container or other vessel sampled;
    - d. The final blend or shipment volume; and
    - e. The sulfur, aromatic hydrocarbon, olefin, oxygen, RVP, and as applicable, T50, T90, E200 and E300 as determined in accordance with R20-2-759.
  2. All Arizona CBG or AZRBOB produced or imported by a registered supplier, which is not tested as required by this Section, shall be deemed to have a RVP, sulfur, aromatic hydrocarbon, olefin, oxygen, T50, and T90 exceeding the standards specified in R20-2-751, or exceeding the comparable PM averaging limits if applicable, unless the registered supplier demonstrates to the Director that the Arizona CBG or AZRBOB meets all applicable standards and limits for fuel properties and performance standards.
  3. A registered supplier shall provide to the Director any records maintained by the registered supplier under this subsection ~~subsection (C)~~ within 20 days of a written request from the Director. If a registered supplier fails to provide records for a blend or shipment of Arizona CBG or AZRBOB under this Section, the final blend or shipment of Arizona CBG or AZRBOB shall be deemed supplied ~~by the registered supplier~~ in violation of R20-2-751, unless the registered supplier demonstrates to the Director that the Arizona CBG or AZRBOB meets all applicable standards and limits for fuel properties and performance standards.
- D.** Notification requirement. A registered supplier shall notify the Director by facsimile prior to the beginning of transport of Arizona CBG or AZRBOB into the CBG covered area ~~area A~~ by a means other than a pipeline.
- E.** Quality Assurance and Quality Control (QA/QC) Program. A registered supplier shall develop a QA/QC program to demonstrate the accuracy and effectiveness of the registered supplier's laboratory testing of Arizona CBG or AZRBOB. The QA/QC program shall be submitted to the Director for approval at least 3 months before transport of Arizona CBG or AZRBOB. Instead of a QA/QC program, a registered supplier may opt to comply with the independent testing requirements of subsection (F).
- F.** Independent testing.
1. A registered supplier of Arizona CBG or AZRBOB who does not comply with subsection (E) shall conduct a program of independent sample collection and analyses for the Arizona CBG or AZRBOB produced or imported, which complies with 1 of the following:
    - a. Option 1. A registered supplier shall, for each batch of Arizona CBG or AZRBOB produced or imported, have an independent laboratory collect and analyze a representative sample from the batch using the methodology specified in R20-2-759 for compliance with each fuel property or performance standard for which the Arizona CBG or AZRBOB is certified.
    - b. Option 2. A registered supplier shall have an independent testing program for all Arizona CBG or AZRBOB produced or imported, which consists of the following:
      - i. An independent laboratory shall collect a representative sample from each batch;
      - ii. The Director or designee shall identify up to 10% of the total number of samples collected under subsection (F)(1)(b)(i) ~~(F)(b)(i)~~; and
      - iii. The designated independent laboratory shall, for each sample identified by the Director or designee, analyze the sample using methodology specified in R20-2-759 for compliance with each fuel property or performance standard for which the batch is certified.
- The Director or designee may request a portion of the batch sample collected under this subsection for analysis by a laboratory selected by the Director or designee. The sample shall be submitted to the Director within 24 hours of written request.
2. Designation of Independent Laboratory.
    - a. A registered supplier who does not comply with subsection (E) shall designate 1 independent laboratory for each production or import facility at which Arizona CBG or AZRBOB is produced or imported. The independent laboratory shall collect samples and perform analyses in compliance with the requirements of subsection (F).
    - b. A registered supplier shall identify the designated independent laboratory to the Director under the registration requirements of R20-2-750.
    - c. A laboratory is considered independent if:
      - i. The laboratory is not operated by a registered supplier, and is not operated by a subsidiary or employee of a registered supplier;
      - ii. The laboratory does not have any interest in any registered supplier; and
      - iii. The registered supplier does not have any interest in the laboratory.
- Notwithstanding the restrictions in subsections (F)(2)(c)(i) through (iii), a laboratory shall be considered independent if it is owned or operated by a gasoline pipeline company owned or operated by producers or importers, provided that the pipeline company is owned and operated by 4 or more producers or importers.

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- d. Use of a laboratory that is debarred, suspended, or proposed for debarment according to the Government-wide Debarment and Suspension regulations, 40 CFR 32, or the Debarment, Suspension and Ineligibility provisions of the Federal Acquisition Regulations, 48 CFR 9(9.4), is noncompliant with the requirements of subsection (F).
3. A registered supplier shall cause its designated independent laboratory to:
- a. Record the following at ~~At~~ the time the designated independent laboratory collects a representative sample from a batch of Arizona CBG or AZRBOB, ~~to record the following:~~
    - i. The producer's or importer's assigned batch number for the batch being sampled;
    - ii. The volume of the batch;
    - iii. The identification number of the gasoline storage tank or tanks in which the batch is stored at the time the sample is collected;
    - iv. The date and time the batch became ~~finished~~ Arizona CBG or AZRBOB, and the date and time the sample is collected;
    - v. The grade of the batch (for example, unleaded premium, unleaded mid-grade, or unleaded); and
    - vi. For Arizona CBG or AZRBOB produced by computer-controlled in-line blending, the date and time the blending process began and the date and time the blending process ended, unless exempt under subsection (G);
  - b. ~~Retain~~ ~~To retain~~ each sample collected under this subsection for at least 45 days, except this time may be extended up to 180 days upon request by the Director;
  - c. ~~Submit~~ ~~To submit~~ to the Director quarterly periodic reports ~~on the 15th day of January, April, July, and October of each year the month following the previous 3 month reporting period~~. The report shall include, for each sample of Arizona CBG or AZRBOB analyzed under subsection (F):
    - i. The results of the independent laboratory's analyses for each fuel property, and
    - ii. The information specified in subsection (F)(3)(a) for each sample; and
  - d. ~~Supply~~ ~~To supply~~ to the Director, upon request, a portion of the sample.
- G. Exemptions to QA/QC and Independent Laboratory Testing Requirements.**
1. A registered supplier who produces or imports Arizona CBG using computer-controlled in-line blending equipment and is operating under an exemption from EPA under 40 CFR 80.65(f)(4) is exempt from the requirements of subsections (E) and (F), provided that:
  2. ~~Reports~~ reports of the results of the independent audit program of the refiner's computer-controlled in-line blending operation submitted to EPA under 40 CFR 80.65(f)(4) ~~are shall also be~~ submitted to the Director by March 1 of each year.
- H. Use of Laboratory Analysis for Certification of Arizona CBG and AZRBOB.**
1. If samples are collected and laboratory analyses are performed to determine fuel properties by both the registered supplier and an independent laboratory for the same batch for compliance with subsection (F), the results of the analyses conducted by the registered supplier shall be used for certification of the Arizona CBG or AZRBOB under R20-2-752(B), unless the absolute value of the differences between the 2 laboratory test results is larger than the following values:

<u>Fuel Property</u>	<u>Range</u>
a. <u>Sulfur content</u>	<u>25 ppm by weight</u>
b. <u>Aromatics</u>	<u>2.7% by volume</u>
c. <u>Olefins</u>	<u>2.5% by volume</u>
d. <u>Ethanol</u>	<u>0.4% by volume</u>
e. <u>Methanol</u>	<u>0.2% by volume</u>
f. <u>MTBE (and other methyl ethers)</u>	<u>0.6% by volume</u>
g. <u>ETBE (and other ethyl ethers)</u>	<u>0.6% by volume</u>
h. <u>TAME</u>	<u>0.6% by volume</u>
i. <u>t-Butanol content</u>	<u>0.6% by volume</u>
j. <u>RVP</u>	<u>0.3 psi</u>
k. <u>50% distillation temperature</u>	<u>5° Fahrenheit</u>
l. <u>90% distillation temperature</u>	<u>5° Fahrenheit</u>
m. <u>E200</u>	<u>2.5% by volume</u>
n. <u>E300</u>	<u>3.5% by volume</u>
o. <u>API gravity</u>	<u>0.3° API</u>
  2. If the absolute value of the differences of the results of the analyses conducted by the registered supplier and independent laboratory is larger than the values specified in subsection (H)(1), the registered supplier shall use the following laboratory testing results for certification of Arizona CBG or AZRBOB under R20-2-752(B):
    - a. The larger of the 2 values for the fuel property, except that the smaller of the 2 values shall be used for oxygenates; or

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- b. The registered supplier shall have 1 additional independent laboratory analyze the Arizona CBG or AZRBOB for the fuel property. If the laboratory results obtained by the additional independent laboratory is within the range listed in this subsection as compared to the results obtained by the registered supplier, the registered supplier's laboratory analysis results shall be used for Arizona CBG or AZRBOB certification under R20-2-752(B).

**R20-2-753. General Requirements for Pipelines and 3rd-party Terminals**

- A. A pipeline or 3rd-party terminal shall not accept Arizona CBG or AZRBOB for transport unless:
1. The Arizona CBG or AZRBOB is physically transferred from an importer, refiner, oxygenate blender, pipeline, or 3rd-party terminal. The supplier is registered with the Department under R20-2-750; and
  2. The supplier provides written verification that the gasoline is Arizona CBG or AZRBOB and complies with the standards in R20-2-751(A) or R20-2-751(B), as applicable, without reproducibility or numerical rounding. For the purposes of this Section, reproducibility means the testing method margin of error as provided in the ASTM or other testing method required under this Article.
- B. A pipeline or 3rd-party terminal that transports Arizona CBG or AZRBOB shall collect a sample of each incoming batch. The pipeline or 3rd-party terminal shall retain the sample for a period of at least 30 days, except this time may be extended for individual samples up to 180 days upon request by the Director.
- C. A pipeline shall conduct quality control testing of Arizona CBG or AZRBOB at a frequency of no less than 1 sample from 1 batch completing shipment per supplier per day at each input location.
- D. The pipeline shall provide the Director with a report summarizing the laboratory testing results required in subsection (C) within 10 days of the end of each month. The report shall contain the quantity of Arizona CBG or AZRBOB, date tendered, whether the Arizona CBG or AZRBOB was transported by the pipeline, present sample location, and laboratory analysis results.
- E. If any batch does not meet the standards in R20-2-751(A) or R20-2-751(B), as applicable, but is within reproducibility, the pipeline shall notify the Director by facsimile within 48 hours with the batch volume and date tendered, proposed shipment date, whether the batch was transported by the pipeline, present batch location and laboratory analysis results.
- F. If any batch does not meet the standards in R20-2-751(A) or R20-2-751(B), as applicable, including reproducibility, the pipeline or 3rd-party terminal shall notify the Director by facsimile within 24 hours with the quantity and date tendered, proposed shipment date, whether the batch was transported by the pipeline, present batch location, and laboratory analysis results. If the batch is in the pipeline's pipeline or 3rd-party terminal's control, the pipeline or 3rd party terminal shall stop the release of the batch from a distribution point until the batch is certified as meeting the standards in R20-2-751(A) or R20-2-751(B), as applicable.
- G. A pipeline shall not be liable under R20-2-761 if it has complied with all of the procedures in this Section.
- H. The pipeline or 3rd-party terminal shall develop a QA/QC program to demonstrate the accuracy and effectiveness of the pipeline's or 3rd-party terminal's laboratory testing. The QA/QC program for 3rd-party terminals shall include a description of the laboratory testing protocol used to verify that Arizona CBG or AZRBOB gasoline transported to the CBG covered area ~~area~~ meets the standards in R20-2-751(A) or R20-2-751(B). The QA/QC program shall be submitted to the Director for approval at least 3 months before the 1st date the pipeline or 3rd-party terminal transports Arizona CBG or AZRBOB.
- I. A portion of a facility that a 3rd-party terminal uses for production, import or oxygenate blending is exempt from the provisions of this Section, but shall be operated in compliance with requirements for facilities subject to rules for registered suppliers or oxygenate blenders.

**R20-2-754. Downstream Blending Exceptions for Transmix**

- A. Pipelines may blend transmix into Arizona CBG or AZRBOB at a rate not to exceed 1/4 of 1% by volume. Each pipeline shall document the transmix blending (recording each batch and volume of transmix blended) and maintain the records at the terminal for 2 years from the date of blending.
- B. One of 2 methods shall be used to measure the transmix as it is blended into the product stream:
1. Meters, calibrated at least twice each year; or
  2. Tank gauge as per API Manual of Petroleum Measurement Standards, Chapters 3.1A (1st edition, December 1994) and 3.1B (1st edition, April 1992), incorporated by reference and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.

**R20-2-755. Additional Requirements for AZRBOB and Downstream Oxygenate Blending**

- A. Application of Arizona CBG standards to AZRBOB.
1. Determining whether AZRBOB complies with Arizona CBG standards.
    - a. If a registered supplier designates a final blend as AZRBOB and complies with the provisions of this Section, the fuel properties and performance standards of the final blend for purposes of compliance with Tables 1 or 2 are determined by adding the specified type and amount of oxygenate to a representative sample of the AZRBOB and determining the fuel properties and performance standards of the resulting gasoline according to the test methods in R20-2-759. If the registered supplier designates a range of amounts of oxygenate or more than 1 oxygenate type to be added to the AZRBOB, the minimum designated amount of the oxygenate having the smallest

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designated volume shall be added to the AZRBOB to determine the fuel properties and performance standards of the final blend. If a registered supplier does not comply with this subsection, compliance of the final blend with applicable fuel property standards, excluding requirements for RVP, shall be determined without adding oxygenate to the AZRBOB.

- b. In determining whether AZRBOB complies with the Arizona CBG standards, the oxygenate added shall be representative of the oxygenate the registered supplier reasonably expects will be subsequently added to the final blend.
2. Calculating the volume of a final blend of AZRBOB. If a registered supplier designates a final blend as AZRBOB and complies with this Section, the volume of ~~a the~~ final blend shall be calculated for compliance purposes under R20-2-751 by adding the minimum designated amount of the oxygenate having the smallest volume designated by the registered supplier. If a registered supplier does not comply with this subsection, the volume of the final blend for purposes of compliance with applicable fuel property standards shall be calculated without adding the amount of oxygenate to the AZRBOB.
- B. Restrictions on transferring AZRBOB.**
1. No person may transfer ownership or custody of AZRBOB to any other person unless the transferee has notified the transferor in writing that:
    - a. The transferee is a registered oxygenate blender and will add oxygenate of the types and amount (or within the range of amounts) designated in R20-2-757 before the AZRBOB is transferred from a final distribution facility, or
    - b. The transferee will take all reasonably prudent steps necessary to assure that the AZRBOB is transferred to a registered oxygen blender who adds the type and amount (or within the range of amounts) of oxygenate designated in R20-2-757 to the AZRBOB before the AZRBOB is transferred from a final distribution facility.
  2. No person may sell or supply AZRBOB from a final distribution facility if the type and amount or range of amounts of oxygenate designated in R20-2-757 have not been added to the AZRBOB.
- C. Restrictions on blending AZRBOB with other products.** No person may combine any AZRBOB supplied from the facility at which it is produced or imported with any other AZRBOB, gasoline, blendstock or oxygenate, except for:
1. Oxygenate of the type and amount (or within the range of amounts) specified by the registered supplier at the time the AZRBOB is supplied from the production or import facility, or
  2. Other AZRBOB for which the same oxygenate type and amount (or range of amounts) is specified by the registered supplier at the time the AZRBOB is supplied from the production or import facility.
- D. Quality Assurance Sampling and Testing requirements for a registered supplier supplying AZRBOB from a production or import facility.** A registered supplier supplying AZRBOB from a production or import facility shall conduct a quality assurance sampling and testing program which meets the requirements of 40 CFR 80.69(a)(7) as it existed on July 1, 1996, ~~except but modified as follows:~~
1. 40 CFR 80.69(a)(7). The word "RBOB" is changed to read "AZRBOB;" and
  2. 40 CFR 80.69(a)(7). Change in the 1st paragraph "...using the methodology specified in § 80.46..." is changed to read "...using the methodology specified in R20-2-759..." and
  3. 40 CFR 80.69(a)(7)(ii). Change in paragraph (a)(7)(ii) "(within the correlation ranges specified in § 80.65(e)(2)(i))" is changed to read "(within the ranges of the applicable test methods)"; 40 CFR 80.69(a)(7) as it existed on July 1, 1996, is incorporated by reference and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.
- E. Requirements for oxygenate blenders.**
1. Requirement to add oxygenate to AZRBOB. If an oxygenate blender receives AZRBOB from a transferor to whom the oxygenate blender has represented that oxygenate will be added to the AZRBOB, the oxygenate blender shall add to the AZRBOB, oxygenate of the types and amount (or within the range of amounts) identified in the documentation accompanying the AZRBOB ~~to the AZRBOB~~.
  2. Additional requirements for oxygenate blending at terminals ~~terminal blending~~. An oxygenate blender who makes a final blend of Arizona CBG by blending an oxygenate with any AZRBOB in a motor fuel gasoline storage tank, other than a truck used for delivering motor fuel gasoline to retail outlets or bulk purchaser-consumer facilities, shall, ~~for each final blend~~, determine the oxygen content and volume of the Arizona CBG final blend before shipping ~~the final blend~~, by collecting and analyzing a representative sample of gasoline taken from the final blend, using the methodology in R20-2-759.
  3. Additional requirements for oxygenate blending in trucks. An oxygenate blender who blends obtains AZRBOB in a motor fuel gasoline delivery truck shall conduct quality assurance sampling and testing which meets the requirements in 40 CFR 80.69(e)(2) as it existed on July 1, 1996, ~~except but modified as follows:~~
    - a. 40 CFR 80.69(e)(2). The word "RBOB" is changed to read "AZRBOB;" and
    - b. 40 CFR 80.69(e)(2)(iv). Change in paragraph (e)(2)(iv) "... using the testing methodology specified at § 80.46 ..." is changed to read "... using the testing methodology specified in R20-2-759..." and

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- c. ~~40 CFR 80.69(e)(2)(v). Change in paragraph (e)(2)(v)~~ “(within the ranges specified in § 80.70(b)(2)(i))” is changed to read “(within the ranges of the applicable test methods).” 40 CFR 80.69(e)(2) as it existed on July 1, 1996, is incorporated by reference and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.
4. Additional requirements for in-line oxygenate blending in pipelines using computer-controlled blending.
- a. An oxygenate blender who produces Arizona CBG by blending oxygenate with AZRBOB into a pipeline using computer-controlled in-line blending shall, for each batch of Arizona CBG produced:
- i. Obtain a flow proportional composite sample ~~of the blended Arizona CBG~~ after the addition of oxygenate and before combining the resulting Arizona CBG with any other Arizona CBG gasoline;
- ii. Determine the oxygen content of the Arizona CBG by analyzing the composite sample within 24 hours of blending using the methodology in R20-2-759; and
- iii. Determine the volume ~~of the Arizona CBG~~.
- b. If the test results for the Arizona CBG indicate that it does not contain the specified type and amount of oxygenate within the ranges of the applicable test methods, the oxygenate blender shall:
- i. Notify the pipeline to downgrade the Arizona CBG to conventional gasoline or transmix upon arrival in Arizona;
- ii. Begin an investigation to determine the cause of the noncompliance;
- iii. Collect spot samples every 2 hours during each in-line blend of AZRBOB and oxygenate, and analyze the samples within 12 hours of collection, until the cause of the noncompliance is determined and corrected; and
- iv. Notify the Director in writing within 1 business day that the Arizona CBG does not comply with the requirements of this Article.
- The oxygenate blender shall comply with this subsection until the Director approves the corrective action.
5. Recordkeeping and Records Retention.
- a. An oxygenate blender shall maintain, for 5 years from the date of each sampling, records of the following:
- i. Sample date,
- ii. Identity of blend or product sampled,
- iii. Container or other vessel sampled,
- iv. The final blend or shipment volume, and
- v. The oxygen content as determined in accordance with R20-2-759.
- b. All Arizona CBG blended by an oxygenate blender and not tested as required by this Section shall be deemed to have an oxygen content exceeding the standards specified in R20-2-751, or exceeding the comparable PM averaging limits, if applicable, unless the oxygenate blender demonstrates to the Director that the Arizona CBG meets the standards in R20-2-751.
- c. An oxygenate blender shall provide to the Director any records maintained by the oxygenate blender under R20-2-755 within 20 days of a written request from the Director. If an oxygenate blender fails to provide records for a blend or shipment of Arizona CBG under this Section, the final blend or shipment of Arizona CBG shall be deemed in violation of R20-2-751, or deemed to exceed the comparable PM averaging limits, if applicable, unless the oxygenate blender demonstrates to the Director that the Arizona CBG meets the standards and limits under R20-2-751.
6. Notification requirement. An oxygenate blender shall notify the Director by facsimile prior to the beginning of transport of Arizona CBG or AZRBOB into the CBG covered area ~~area A~~ by a means other than a pipeline.
7. Quality Assurance and Quality Control (QA/QC) Program. An oxygenate blender conducting ~~who conducts~~ laboratory sampling and analysis required under subsection (E) in their own laboratory shall develop a QA/QC program to demonstrate the accuracy and effectiveness of the oxygenate blender’s laboratory testing of Arizona CBG or AZRBOB. The QA/QC program shall be submitted to the Director for approval at least 3 months before transport of Arizona CBG. Instead of a QA/QC program, an oxygenate blender may opt to comply with the independent testing requirements of R20-2-752(F), except that the minimum number of samples collected and analyzed by the independent laboratory shall be 10% of the number of samples required to be analyzed under subsection (E).
8. ~~An Each~~ oxygenate blender ~~who does not conducting~~ conduct the laboratory sampling and analysis required under this subsection in its own laboratory shall designate an independent laboratory, as required in R20-2-752(F), to conduct all of the laboratory sampling and analysis required under subsection (E).
9. A portion of any sample collected under subsections (7) or (8) shall be submitted to the Director within 24 hours of the Director or designee’s written request.

**R20-2-756. Downstream Blending of Arizona CBG with Nonoxygenate Blendstocks**

- A. A person may not combine Arizona CBG supplied from a production or import facility with any nonoxygenate blendstock, other than vapor recovery condensate, unless the person demonstrates to the Director:
1. The blendstock added to the Arizona CBG meets all of the Arizona CBG standards regardless of the fuel properties and performance standards of the Arizona CBG gasoline to which the blendstock is added; and
2. The person meets the requirements in this Article applicable to producers of Arizona CBG.

- B. Notwithstanding subsection (A), a person may add nonoxygenate blendstock to a previously certified batch or mixture of certified batches of Arizona CBG that does not comply with 1 or more of the applicable per-gallon standards contained in R20-2-751(A) or R20-2-751(B) if the person obtains prior written approval from the Director based on a demonstration that adding the blendstock will bring the previously certified Arizona CBG into compliance with the applicable per-gallon standards for Arizona CBG. The oxygenate blender or registered supplier shall certify to the Department the rebled Arizona CBG.

**R20-2-757. Product Transfer Documentation; Records Retention**

- A. If a person transfers custody or title to any Arizona CBG or AZRBOB, other than when Arizona CBG gasoline is sold or dispensed at a service station or fleet vehicle fueling facility, the transferor shall provide to the transferee documents which include the following:
1. The name and address of the transferor;
  2. The name and address of the transferee;
  3. The volume of Arizona CBG or AZRBOB being transferred;
  4. The location of the Arizona CBG or AZRBOB at the time of the transfer;
  5. The date of the transfer;
  6. Product transfer document number;
  7. The proper identification of the gasoline as Arizona CBG or AZRBOB;
  8. The minimum octane rating;
  9. The applicable Federal Complex Model VOC and NOx reduction percentage standards contained in R20-2-751(A) to which the Arizona CBG or AZRBOB conforms;
  10. For oxygenated Arizona CBG designated for sale for use in motor vehicles from November 1 through March 31, the type and minimum quantity of oxygenate contained in the Arizona CBG; and
  11. In the case of AZRBOB for which oxygenate blending is intended:
    - a. Identification of the product as AZRBOB, and a statement that the "AZRBOB does not comply with the standards for Arizona CBG without the addition of oxygenate;"
    - b. The designation of the AZRBOB as suitable for blending with:
      - i. Any oxygenate;
      - ii. Ether only; or
      - iii. A specified oxygenate type or types and amount or amounts;
    - c. The oxygenate type or types and amount or amounts which the AZRBOB requires in order to meet the fuel properties or performance standards claimed by the registered supplier of the AZRBOB, and the applicable volume percent oxygenate and weight percent oxygen content specifications; and
    - d. Instructions to the transferee that the AZRBOB may not be combined with any other AZRBOB unless it has the same requirements for oxygenate type or types and amount or amounts.
- B. A registered supplier, 3rd-party terminal, or pipeline may comply with subsection (A) ~~this requirement~~ by using standardized product codes on pipeline tickets if the codes are specified in a manual distributed by the pipeline to transferees of the Arizona CBG or AZRBOB and the manual sets forth all required information for the Arizona CBG or AZRBOB.
- C. Any ~~transferee person identified~~ in subsection (A), other than registered suppliers, oxygenate blenders, 3rd-party terminals, ~~and pipelines,~~ service station operators and fleet owners shall retain product transfer documents for each shipment of Arizona CBG or AZRBOB transferred during the ~~previous~~ 24-month period preceding the most recent transfer or delivery. Transfer or delivery documents for the 30-day period preceding the most recent transfer or delivery shall be maintained at the business address listed on the product transfer document. All remaining transfer or delivery documents for the preceding 24 months shall be available within 2 working days from the time of request by the Director or designee.
- D. Service station operators and fleet owners shall retain product transfer documents for each shipment of Arizona CBG delivered during the 12 months preceding that shipment. The documentation for the 3 most recent deliveries shall be maintained on the service station or fleet owners' premises. Documentation for the remainder of all deliveries for the 12-month period shall be available within 2 working days from the time of request by the Director.
- E. Registered suppliers, oxygenate blenders, 3rd-party terminals, and pipelines shall retain product transfer documents for each shipment of Arizona CBG or AZRBOB transferred during the ~~previous~~ 60-month period preceding the most recent transfer or delivery. Transfer or delivery documents made during the 30-day period preceding the most recent transfer or delivery shall be maintained at the business address listed on the product transfer document. Documents for the remainder of all transfers or deliveries for the preceding 60 months shall be available within 2 working days from the time of request by the Director or designee.
- ~~F.D.~~ All documents requested for review by the Director or designee, upon request, shall be presented to the Department. Legible photocopies shall be acceptable.

**R20-2-758. Adoption of Fuel Certification Models**

- ~~A.~~ The following documents are incorporated by reference and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.

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1. The California Predictive Model (PM), California Air Resources Board's "California Procedures for Evaluating Alternative Specification for Phase 2 Reformulated Gasoline Using the California Predictive Model," as adopted April 20, 1995 (Predictive Model Procedures).
2. The Federal Complex Model as contained in 40 CFR 80.45, January 1, 1999 ~~July 1, 1996~~.

**R20-2-759. Testing Methodologies**

- A. Except as provided in subsections (C) and (D), Arizona CBG or AZRBOB certified as meeting standards under Table 1 shall be tested with the methods under required by 13 California Code of Regulations, Section 2263, incorporated by reference as of January 1, 1997, and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.
- B. Except as provided in subsection (C), Arizona CBG or AZRBOB certified as meeting standards under Table 2 shall be tested with methods under 13 California Code of Regulations, Section 2263, incorporated by reference as of January 1, 1997, and on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.
- C. Registered suppliers, oxygenate blenders and 3rd-party terminals certifying Arizona CBG or AZRBOB gasoline before transport to ~~Maricopa County~~ the CBG covered area shall measure oxygenate using ASTM D4815-94a ~~D4815-96~~ procedures and RVP using ASTM D4814 standards. For Arizona CBG gasoline located in ~~Maricopa County~~ the CBG covered area, oxygenate shall be measured using ASTM D4815-94a ~~D4815-96~~ and RVP shall be measured using ASTM D5191-96.
- D. Except as required in subsection (C), a registered supplier of Arizona CBG or AZRBOB may certify Type 1 Arizona CBG gasoline produced or imported at any facility using the federal test methods contained in 40 CFR 80.46 (a) through (g), incorporated by reference as of July 1, 1996, provided these are the only test methods used by that registered supplier to certify Arizona CBG or AZRBOB at that facility. 40 CFR 80.46 (a) through (g) is on file with the Department and the Office of the Secretary of State. This incorporation by reference contains no future editions or amendments.

**R20-2-760. Compliance Surveys**

- A. A registered supplier who elects to certify that Arizona CBG or AZRBOB meets any averaging standard under R20-2-751 shall conduct compliance surveys in accordance with a survey program plan approved by the Director. Approval shall be based upon the survey program plan meeting the following criteria:
  1. The survey program shall consist of ~~surveys which occur during the following time periods from and after May 1, 1999:~~
    - a. ~~Four~~ Two VOC and NOx surveys during the period May 1 through September 15 of each year; and
    - b. Two NOx surveys during the period of November 1, ~~1999~~, through March 31, ~~2000~~, which constitute a survey series.
  2. The survey program shall meet the criteria stated in subsection (B).
  3. In the event that a registered supplier fails to conduct an approved survey program, the Director shall issue an order requiring compliance with all applicable standards on a per-gallon basis for a period of at least 6 months, extending through the end of the survey period identified in subsection (A)(1) and ending after the 6-month period. The requirement for compliance with per-gallon standards shall apply from the beginning of the survey period for which the failure occurs, regardless of when the failure to survey occurs during that period.
- B. General survey requirements.
  1. A survey shall consist of all samples collected under the applicable survey design during any consecutive 7-day period and which are not excluded under subsection (B)(4).
  2. A survey shall be representative of all Arizona CBG ~~gasoline~~ being dispensed in the CBG covered area ~~area A~~ as provided in subsection (E).
  3. Each sample included in a survey shall be analyzed for oxygenate type and content, olefins, sulfur, ~~and~~ aromatic hydrocarbons, E200, E300, and RVP according to the methodologies specified in R20-2-759. RVP shall be analyzed during the time period of May 1 through September 15 ~~from and after May 1, 1999~~.
  4. The results of each survey shall be based upon the results of the analysis of each sample collected during the course of the survey, unless a ~~the~~ sample does not comply with ~~violates~~ the applicable per-gallon maximum or minimum standards for the fuel property parameter being evaluated in addition to ~~plus~~ any reproducibility enforcement tolerance that applies to the fuel property parameter.
  5. A survey sample that does not comply with ~~violates~~ R20-2-751, or that constitutes evidence of noncompliance with the standards or requirements ~~the violation of any prohibition or requirement~~ under this Article, may be used by the Director in an enforcement action ~~for the violation~~.
  6. Each laboratory which analyzes survey samples shall participate in a correlation program with the Director to ensure the validity of analysis results.
- C. The results of each ~~Federal Complex Model~~ VOC and NOx emissions reduction survey shall be determined as follows:
  1. For each ~~Federal Complex Model~~ sample from the survey, the VOC and NOx emissions reduction percentage shall be determined based upon the tested fuel properties for that sample and the applicable appropriate methodology for

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- calculating VOC and NOx emissions reductions ~~reduction~~ at 40 CFR 80.45, as incorporated by reference in R20-2-758;
2. The CBG covered area Area A fails the Federal Complex Model VOC survey if the VOC emissions reduction percentage average of all samples collected during that survey is less than the per-gallon standard for VOC emissions reduction percentage in Table 1, column A.
  3. The CBG covered area fails the NOx survey if the NOx emissions reduction percentage average of all samples collected during that survey is less than the per gallon standard for NOx emissions reduction percentage in Table 1, column A.
- D. The results of each NOx ~~emissions reduction~~ survey series shall be determined as follows:
1. For each sample from ~~a the~~ survey series, the NOx emissions reduction percentage shall be determined based upon the tested fuel properties parameter values for that sample and the applicable appropriate methodology for calculating NOx emissions reduction ~~under~~ at 40 CFR 80.45 as incorporated by reference in R20-2-758; and
  2. The CBG covered area Area A fails the NOx survey series if the NOx emissions reduction percentage average for all survey samples collected during that survey series is less than the Federal Complex Model per gallon standard for the NOx emissions reduction percentage in Table 1, column A.
- E. Each survey program shall:
1. Be designed planned and conducted by a person independent of the registered supplier (the surveyor). To be considered independent:
    - a. The surveyor shall not be an employee of any registered supplier;
    - b. The surveyor shall not have be free from any obligation to or interest in any registered supplier; and
    - c. The registered supplier shall not have be free from any obligation to or interest in the surveyor.
  2. Be designed to include enough samples to ensure that the average levels of oxygen, RVP, aromatic hydrocarbons, olefins, T50, T90, and sulfur are determined with a 95% confidence level, with error of less than 0.1 psi for RVP, 0.1% for oxygen (by weight), 0.5% for aromatic hydrocarbons (by volume), 0.5% for olefins (by volume), 5°F. for T50 and T90, and 10 ppm for sulfur;
  3. Require that the surveyor:
    - a. Except as provided in subsection (F), not inform anyone, in advance, of the date or location for the conduct of any survey;
    - b. Upon request of the Director, provide a duplicate of any sample taken during the survey within 30 days following submission of the survey report:
      - i. To a location specified by the Director;
      - ii. With each sample identified by the name and address of the facility where the sample was collected; and
      - iii. With the date of collection.
    - c. Permit a Department official at any time to monitor the conduct of the survey, including sample collection, transportation, storage, and analysis.
  4. Require the surveyor to submit a report of each survey, within 30 days following completion of the survey, to the Director. The report shall include:
    - a. The name of the person conducting the survey;
    - b. An attestation by an officer of the surveying company that the survey was conducted according to the survey program plan and the survey results are accurate;
    - c. If the survey was conducted for 1 registered supplier, the identification of that supplier;
    - d. The identification of the area from which gasoline samples were selected in which the gasoline was surveyed;
    - e. The dates on which the survey was conducted;
    - f. The address of each facility at which a gasoline sample was collected, and the date of collection;
    - g. The results of the analyses of ~~Federal Complex Model~~ samples for oxygenate type and oxygen weight percent, aromatic hydrocarbon, and olefin content, E200, E300, and RVP, the calculated VOC or NOx emissions reduction percentage, as applicable, for each survey conducted during the periods identified in subsection (A)(1).
    - h. The name and address of each laboratory where gasoline samples were analyzed;
    - i. A description of the methodology used to select the locations for sample collection and the numbers of samples collected;
    - j. For any samples which were excluded from the survey, a justification for the exclusion; and
    - k. For each survey conducted during the period June 1 through September 15, the average ~~Federal Complex Model~~ VOC and NOx emissions reduction percentage, and the average ~~Federal Complex Model~~ NOx emissions reduction percentage, for samples collected during the period November 1, 1999 through March 31, 2000.
- F. Each survey shall be commenced on a date selected by the Director. The Director shall notify the surveyor of the date selected at least 10 business days before the beginning date of the survey.
- G. The procedure for seeking Director approval for a survey program plan is:
1. The survey program plan shall be submitted to the Director for the Director's approval no later than January 1 to cover the survey period of May 1 through March 31 of each year; and

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2. The survey program plan shall be signed by a ~~responsible~~ corporate officer of the registered supplier, or in the case of a comprehensive survey program plan, by an officer of the organization coordinating the survey program.
- H.** No later than April 1 of each year, the registered supplier's contract with the surveyor to carry out the entire survey plan for the next summer and winter season shall be in effect, and an amount of money paid by the registered supplier necessary to carry out the entire survey plan shall be paid to the surveyor or placed into an escrow account with instructions to the escrow agent to pay the money over to the surveyor during the course of the conduct of the survey plan. No later than April 15 preceding the period in which the surveys will be conducted, the Director shall be given a copy of the contract with the surveyor, proof that the money necessary to carry out the plan has either been paid to the surveyor or placed into an escrow account, and if placed into an escrow account, a copy of the escrow agreement.

**R20-2-761. Liability for Noncompliant Arizona CBG or AZRBOB Gasoline**

- A.** Persons liable. If ~~motor fuel the gasoline~~ designated as Arizona CBG or AZRBOB ~~does not comply with is found non-compliant with the provisions of~~ R20-2-751, the following ~~persons~~ are liable for the violation:
1. Each person who owns, leases, operates, controls or supervises the facility where the noncompliant Arizona CBG or AZRBOB gasoline is found;
  2. Each registered supplier whose corporate, trade, or brand name, or whose marketing subsidiary's corporate, trade, or brand name, appears at the facility where the noncompliant Arizona CBG or AZRBOB gasoline is found; ~~and~~
  3. Each person who manufactured, imported, sold, offered for sale, dispensed, supplied, offered for supply, stored, transported, or caused the transportation of any gasoline in a storage tank containing Arizona CBG or AZRBOB gasoline found to be noncompliant.
- B.** Defenses.
1. A person who is otherwise liable under subsection (A), is not liable if that person demonstrates:
    - a. That the violation was not caused by the ~~person or person's regulated party or its~~ employee or agent;
    - b. That product transfer documents account for all of the noncompliant Arizona CBG or AZRBOB gasoline in the storage tank and indicate that the Arizona CBG or AZRBOB gasoline complied with this Article; and
    - c. That the person had a quality assurance sampling and testing program, as described in subsection (C) in effect at the time of the violation; except that any person who transfers Arizona CBG or AZRBOB but does not assume title, may rely on the quality assurance program carried out by another person, including the person ~~who that~~ owns the noncompliant Arizona CBG or AZRBOB, provided the quality assurance program is properly administered.
  2. If a violation is found at a facility which operates under the corporate, trade or brand name of a registered supplier, that registered supplier must show, in addition to the defense elements in subsection (B)(1), that the violation was caused by:
    - a. A violation of law other than A.R.S. Title 41, Chapter 15, Article 6, this Article, or an act of sabotage or vandalism;
    - b. A violation of a contract obligation imposed by the registered supplier designed to prevent noncompliance, and despite periodic compliance sampling and testing by the registered supplier; or
    - c. The action of any person having custody of Arizona CBG or AZRBOB not subject to a contract with the registered supplier but engaged by the registered supplier for transportation of Arizona CBG or AZRBOB, despite specification or inspection of procedures and equipment by the registered supplier which are designed to prevent violations.
  3. To show that the violation was caused by any of the actions in subsection (B)(2), the person must demonstrate by reasonably specific showings, by direct or circumstantial evidence, that the violation was caused or must have been caused by another person.
- C.** Quality assurance sampling and testing program. In order to demonstrate an acceptable quality assurance program for Arizona CBG or AZRBOB, at all points in the gasoline distribution network, other than at service stations or fleet owner facilities, a person must present evidence:
1. Of a periodic sampling and testing program to determine compliance with the maximum or minimum standards in R20-2-751; and
  2. That each time Arizona CBG or AZRBOB is noncompliant with 1 of the requirements in subsection (C)(1):
    - a. The person immediately ceases selling, offering for sale, dispensing, supplying, offering for supply, storing, transporting, or causing the transportation of the noncompliant Arizona CBG or AZRBOB; and
    - b. The person remedies the violation as soon as practicable.

**R20-2-762. Penalties**

- Any person who violates any provision of this Article is subject to the following:
1. Prosecution for a Class 2 misdemeanor under A.R.S. § 41-2113(B)(4);
  2. Civil penalties in the amount of \$500 per violation under A.R.S. § 41-2115; and
  3. Stop-use, stop-sale, hold and removal orders under A.R.S. § 41-2066(A)(2).

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Table 1. Type 1 Gasoline Standards

	Nonaveraging Option	Averaging Option		
	A	B	C	D
Fuel Property / Performance Standard**	Per Gallon (minimum)	Average	Minimum (per gallon)	Maximum (per gallon)
VOC Emission Reduction (%) May 1 - Sept 15	≥27.5	≥29.0	≥25.0	N/A
NOx Emission Reduction (%) May 1 - Sept 15	≥5.5	≥6.8	<del>N/A ≥3.0</del>	N/A
<del>NOx Emission Reduction (%) Sept 16 - April 30</del>	<del>≥0.0</del>	<del>≥1.5</del>	<del>≥2.5</del>	<del>N/A</del>
<u>NOx Emission Reduction (%) Sept 16, 1999 - April 30, 2000</u>	<u>≥0.0</u>	<u>≥1.5</u>	<u>N/A</u>	<u>N/A</u>
<u>From and after Sept 15, 2000: Sept 16 - Nov 1 and April 1 - April 30***</u>	<u>≥0.0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Oxygen, ethanol, (% by weight unless otherwise noted) Nov 1- Mar 31 April 1 - Oct 31	10% ethanol by vol. 2.0	N/A 2.1	10% ethanol by vol. 1.5	4.0 4.0
Oxygen, other than ethanol, (% by weight) Nov 1- Mar 31 April 1 - Oct 31	2.7 2.0	N/A 2.1	2.7 1.5	3.5* 2.7
<p>* Maximum oxygen content must comply with the EPA oxygenate waiver requirements.  ** Dates represent compliance dates for service stations and fleet owners.  *** <u>From and after November 1, 2000, registered suppliers shall certify all Arizona CBG as Type 2 gasoline meeting the standards in Table 2 during the time period of November 2 through March 31.</u></p>				

**Arizona Administrative Register**  
**Notices of Proposed Rulemaking**

Table 2. Type 2 Gasoline Standards

	Averaging Option		Nonaveraging Option	
	A	B	C	
<b>Fuel Property</b>	<b>Maximum Standard (per gallon)</b>	<b>Averaging Standard*</b>	<b>Flat Standard * (per gallon maximum)</b>	<b>Units of Standard</b>
Sulfur Content	80	30	40	Parts per million by weight
Olefin Content	10.0	4.0	6.0	% by volume
90% Distillation Temperature (T90)	330	290	300	Degrees Fahrenheit
50% Distillation Temperature (T50)	220	200	210	Degrees Fahrenheit
Aromatic Hydrocarbon Content	30.0	22.0	25.0	% by volume
Oxygen, ethanol <sup>****</sup> Nov 1- Mar 31 April 1 - Oct 31	10% ethanol 2.7	-- --	10% ethanol 2.7***	% by vol. % by weight
Oxygen, other than ethanol <sup>****</sup> Nov 1- Mar 31 April 1 - Oct 31	3.5** 2.7	-- --	3.5** 2.7***	% by weight % by weight

\* ~~In lieu~~ Instead of the standards in columns B and C, registered suppliers may opt to comply with the standards contained in column A, and R20-2-751(F),(G) and (H) ~~(D), (E) and (F)~~ for the use of the PM.

\*\* Maximum oxygen content ~~shall~~ must comply with the EPA oxygenate waiver requirements.

\*\*\* The gasoline produced in accordance with the Nonaveraging Option must comply with a per gallon minimum oxygen content of 1.8% by weight April 1 - October 31.

\*\*\*\* From and after October 31, 2000, registered suppliers shall certify all Arizona CBG using ethanol as the oxygenate during the time period of November 2 through March 31. Alternative oxygenates may be used if approved by the Director under A.R.S. § 41-2124(D).

NOTE: Dates represent compliance dates for service stations and fleet owners.