

**NOTICE OF PROBABLE VIOLATION  
PROPOSED CIVIL PENALTY  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

April 28, 2011

Mr. Ken Leier  
Region Director  
TransCanada  
U.S. Western Pipe Region  
534 E. Spokane Fall Blvd.  
Spokane, WA 99202

**CPF 5-2011-1001**

Dear Mr. Leier:

On December 8-13, 2010, a representative from the Arizona Corporation Commission on behalf of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Ehrenberg Compressor Station and mainline pipe in Western Arizona.

As a result of the inspection, it appears that TransCanada, North Baja Pipeline LLC have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

**1. §192.605 Procedural manual for operations, maintenance, and emergencies**

**(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include**

**procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least one each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.**

TransCanada did not follow its written procedures for repairing pipeline coating. Per TransCanada's Operating Procedure (Manual)/Specification "TES-COAT-EPU-US External Epoxy/Urethane Coating Systems, March 19, 2007 - repairing pipeline coating damage requires that any affected areas be cleaned by sandblasting and/or roughing up of the original coating. In December 2007, TransCanada sought to repair an area of damaged coating on its pipeline. When that area was excavated in December 2010, it appeared as though hand-applied epoxy had simply been placed over the bare surface and original coating. Photographs of the excavated pipe are evidence that the pipe in the excavated area not had been prepared by "sandblasting" and/or roughing up of the repair areas original coating. The "sandblasting" and/or roughing up of the repair areas original coating are required in the company's written procedures.

**2. §192.605 Procedural manual for operations, maintenance, and emergencies**

**(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.**

**(2) Controlling corrosion in accordance with the operations and maintenance requirements of Subpart I of this part.**

Per TransCanada Operating Procedure (Manual) 25.0 192.463 – Cathodic Protection Criteria, TransCanada did not have a written procedure in place for identifying what level of abnormally high pipe-to-soil potentials would require remedial action. In the absence of that procedure, TransCanada allowed the station yard to have potential pipe-to-soil readings in excess of 2.0 volts for several years, and there was coating disbondment and damage found when yard piping was exposed in December of 2007.

Proposed Civil Penalty

Under 49 United states Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation and has recommended that you be preliminarily assessed a civil penalty of \$16,200.00 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$16,200.00

### Proposed Compliance Order

With respect to item number 2, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to TransCanada. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

### Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 5-2011-1001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry  
PHP-500 T. Finch (#133556)  
Arizona Corporation Commission - Mr. Robert Miller

## **PROPOSED COMPLIANCE ORDER**

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to TransCanada a Compliance Order incorporating the following remedial requirements to ensure the compliance of TransCanada with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to TransCanada not following written procedures for repairing pipeline coating. TransCanada must take the necessary steps to ensure that it is following its written procedures for repairing pipeline coating damage. TransCanada must submit the semi-annual reports describing their efforts to follow their written procedures for repairing pipeline coating damage. These reports must be transmitted to the Western Region Director until it has been determined that TransCanada is following their written procedures for repairing pipeline coating damage.
2. In regard to Item Number 2 of the Notice pertaining to the corrosion controlling program of abnormally high pipe-to-soil potentials. TransCanada must take the necessary steps to ensure that it has written procedures specifying what level of abnormally high pipe-to-soil potentials would require further investigation or remedial action.
3. TransCanada must complete the necessary steps to correct these deficiencies within 60 days of issuance of the Final Order.
4. It is requested (not mandated) that TransCanada maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.