

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 22, 2011

Mr. Vern Meier
Vice President, U.S. Pipeline Operations
ANR Pipeline Co. / TransCanada
717 Texas Avenue, Suite 2400
Houston, TX 77002-2661

CPF 3-2011-1010

Dear Mr. Meier:

On August 2-6, 2010, a representative of the Michigan Public Service Commission (MI-PSC) acting as an Interstate Agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your facilities and records in Reed City, MI.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

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

**Each operator shall include the following in its operating and maintenance plan:
(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.

ANR personnel did not follow their procedure for grading the atmospheric corrosion condition of the above ground piping at a meter station.

A review of the atmospheric corrosion inspection records found that the atmospheric corrosion at a soil-to-air transition in the Menominee meter station was coded as a Grade 3. The Operations and Maintenance Plan requires that all coating issues at soil-to-air transitions should be coded as a Grade 4, which would require remediation, instead of continual monitoring if it was a Grade 3.

2. §192.477 Internal corrosion control: Monitoring.

If corrosive gas is being transported, coupons or other suitable means must be used to determine the effectiveness of the steps taken to minimize internal corrosion. Each coupon or other means of monitoring internal corrosion must be checked two times each calendar year, but with interval not exceeding 7 1/2 months.

ANR personnel did not check the internal corrosion probe installed at the Reed City Compressor station twice a year not to exceed 7 ½ months from October 2008 to November 2010.

On February 16, 2008, an 8 inch diameter pipe in the Reed City Compressor station failed due to internal corrosion as determined by metallurgical analysis. The failure resulted in a small explosion in an adjacent building at the station. After the pipe was replaced, ANR personnel installed an internal corrosion monitoring probe in the line at this location on October 7, 2008. The internal corrosion probe stopped functioning after 18 days, as shown on the daily logger output, and ANR personnel did not repair the probe. Additionally, ANR personnel did not conduct any other action in lieu of monitoring the probe for internal corrosion at this location. The probe was not functioning at the time of MI-PSC's inspection. Interviews of ANR personnel and review of records indicated that no required checks of the probe were performed from October 2008 to November 2010 when an internal corrosion coupon was installed.

3. §192.709 Transmission lines: Record keeping.

Each operator shall maintain the following records for transmission line for the periods specified:

(c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

ANR personnel did not adequately document the inspection of the emergency valves and the Emergency Shutdown devices in the Cold Springs 1 storage field and Cold Springs Compressor Station.

Review of ANR's valve inspection records found that they did not include the inspection of all the emergency valves in the storage field. Because this was a new storage field, the valve records were incomplete when they were created and did not contain a location to document the valve inspections. Additionally, review of ANR's record for the annual emergency shut-down test found that it did not indicate that the control panel would shut down the compressor motor nor did it indicate that all the devices were tested. There were fewer devices documented on the 2010 report than there were on the 2009 report. Also, the records did not show that the flame detector was proof tested.

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(s) and has recommended that you be preliminarily assessed a civil penalty of \$52,800 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$52,800

Warning Items

With respect to items one and three, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these item(s). Be advised that failure to do so may result in ANR Pipeline Company being subject to additional enforcement action.

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 3-2011-1010** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*