

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 27, 2011

Mr. Vern Meier
Vice President, Field Operations
TransCanada, ANR Pipeline Company
717 Texas Avenue, Suite 2400
Houston, Texas 77002-2761

CPF 3-2011-1011

Dear Mr. Meier:

On July 26 - 30, August 9 - 13, and September 20 - 23, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your gas integrity management program in Calgary, Alberta, Canada. Additionally, safety-related condition reporting (SRCR) was inspected.

As a result of the SRCR 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. §191.23 Reporting safety-related conditions.

(a) Except as provided in paragraph (b) of this section, each operator shall report in accordance with §191.25 the existence of any of the following safety-related conditions involving facilities in service:

(1) In the case of the pipeline (other than an LNG Facility) that operates at a hoop stress of 20 percent or more of its specified minimum yield strength, general corrosion that has reduced the wall thickness to less than that required for the maximum allowable operating pressure, and localized corrosion pitting to a degree where leakage might result.

TransCanada, ANR Pipeline Company (ANR) did not report an external corrosion metal loss anomaly that was reported to be 82% through the wall of its pipeline as a safety-related condition (SRC) to PHMSA as required. ANR completed an in-line inspection of its 24" diameter 0-100 Line from New Windsor to Sandwich on June 12, 2008. Based upon a preliminary report provided by the vendor on June 23, 2008, ANR discovered the 82% deep external corrosion anomaly on June 25, 2008. PHMSA's integrity management regulations in §192.933(d) reference ASME B31G and RSTRENG, both of which consider corrosion pits that are over 80% deep to be indicative of corrosion pitting to a degree where leakage might result. Several exceptions to the reporting requirements are outlined in §191.23(b); however, since this 82% deep metal loss anomaly was located within the right-of-way of an active road, a report was still required for this defect. The defect was excavated, measured to be 90% deep, and then repaired on August 11, 2008.

The operator was asked to provide a copy of the report it submitted to PHMSA on this 82% deep metal loss defect, but no report was provided to the inspection team. Also, the lead inspector checked the PHMSA data base "SMART" for a copy of a report, but none was found.

2. §191.23 Reporting safety-related conditions.

(a) Except as provided in paragraph (b) of this section, each operator shall report in accordance with §191.25 the existence of any of the following safety-related conditions involving facilities in service:

(8) Any safety-related condition that could lead to an imminent hazard and causes (either directly or indirectly by remedial action of the operator), for purposes other than abandonment, a 20 percent or more reduction in operating pressure or shutdown of operation of a pipeline or an LNG Facility that contains or processes gas or LNG.

ANR did not report a defect that led to a 20% reduction in operating pressure as a safety-related condition (SRC) to PHMSA as required. ANR completed an in-line inspection of its 42" diameter 2-100 Line from MP 874.8 to MP 931.7 on May 24, 2007. Based upon the report provided by the vendor on July 23, 2007, ANR

discovered a deformation indication on August 6, 2007 that required remediation, per §192.933(d)(2), within one year. Since the remediation of this deformation had not been completed by the one-year deadline, ANR should have reduced the operating pressure on the affected pipeline segment on August 6, 2008. When ANR's personnel realized this oversight, ANR reduced the operating pressure in its pipeline on September, 19, 2008. Several exceptions to the reporting requirements are outlined in §191.23(b); however, since the deformation was located within 220 yards of building intended for human occupancy, a report was still required for this defect. The deformation was excavated and remediated on October 9, 2008.

The operator was asked to provide a copy of the report it submitted to PHMSA on this deformation and the resulting pressure reduction, but no report was provided to the inspection team. Also, the lead inspector checked the PHMSA data base "SMART" for a copy of a report, but none was found.

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 \$53,700 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 33,100
2	\$ 20,600

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 3-2011-1011** 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*