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August 24, 2011

Mr. David Barrett
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August 23, 2011

Mr. David Barrett
Director, Central Region
PHMSA Office of Pipeline Safety
901 Locust St., Suite 462
Kansas City, MO 64106

Re: PHMSA IMP Audit
Notice of Probable Violation and Proposed Civil Penalty
CPF 3-2011-1012

Dear Mr. Barrett:

On August 1, 2011, Great Lakes Gas Transmission Company (GLGT) received a Notice of Probable Violation (NOPV) and Proposed Civil Penalty. GLGT's response to the NOPV and Proposed Civil Penalty is attached. Responses are assigned to each inspection item and summarize the governing legal requirement, PHMSA alleged violation (in italics), GLGT response, and supporting documentation.

Where further clarification is required, please call me at (701) 483-1434 or (701) 290-1176

Sincerely,

Daniel Cerkoney
U.S. Compliance

GLGT Response to NOPVCPF 3-2011-1012

Legal Requirements

§ 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:

(4) Any material defect or physical damage that impairs the serviceability of a pipeline that operates at a hoop stress of 20 percent or more of its specified minimum yield strength.

Alleged probable violation

1. §191.23 Reporting safety-related conditions.

GLGT did not report a material defect that impaired the serviceability of its pipeline as a safety-related condition (SRC) to PHMSA as required. GLGT performed an in-line inspection of its 36" diameter 200 Line from CS 8 to CS 9 on May 14, 2009. GLGT received a final report from the vendor on July 10, 2009, that included Dent 28, which was characterized as a dent with metal loss that was subsequently classified by GLGT as an immediate repair condition in accordance with §192.933(d)(1)(ii). Several exceptions to the reporting requirements are outlined in §191.23(b); however, since Dent 28 was located within 220 yards of building intended for human occupancy, a report was still required for this defect. The pressure on the affected pipeline segment was reduced on October 23, 2009, and Dent 28 was remediated on October 28, 2009.

The operator was asked to provide a copy of the report it submitted to PHMSA on Dent 28, but no report was provided to the inspection team. Also, the lead inspector checked the PHMSA data base "SMART" for a copy of the report, but none was found.

GLGT Response to Item 1:

GLGT is contesting the violation alleged in the Notice and requests an informal conference either in person or by telephone.

Response to the Allegations

The alleged violation did not occur because indications from the ILI did not meet the standard that required reporting of a safety related condition. Further, the specific standard in the violation was a “material defect that impaired the serviceability of a pipeline”.

I. The indication did not impair the serviceability of the line.

The dent with a metal loss meets the definition of an immediate condition; however the standard for reporting a safety related condition is not the same as that of an immediate condition. In this case the indication was a dent that had an indication of a metal loss. To check if this indication impaired the serviceability of the pipeline GLGT took the following steps:

The ILI vendor was requested to review the dent and the metal loss indication in detail – the result was that the metal loss had the appearance of a corrosion defect in the area of the dent estimated at 11% deep.

GRI-01/0085 is referenced in ASME B31.8s and states that a dent with corrosion can be analysed for rupture threat in the same manner as a segment of pipe with the same corrosion defect.

The analysis of the 11% corrosion showed it was safe to leave in the line with a safety factor of 1.57. Therefore, the integrity of the pipeline is not impaired.

II. GLGT relied upon PHMSA clarification regarding the date of discovery for safety-related conditions provided in the preamble to Federal Amendment 191-7.

PHMSA clarified that discovery of a condition does not occur until the operator has adequate information to determine the probable existence of a reportable safety-related condition. (See Attached). It acknowledged that physical examination is sometimes required to provide adequate information. GLGT did not have enough information to conclude the probable existence of such a condition based solely on the ILI report since the vendor suggested that the wall loss had the appearance of corrosion. In order to obtain adequate information to make the determination of whether a safety related condition existed, GLGT excavated to physically examine the indication. The inspection confirmed the wall loss was indeed a dent with an 11% corrosion defect that did not impair the serviceability of the pipeline. Notwithstanding this determination, GLGT cut the dent out of the pipe, completing this repair within five days of excavating the line.

Proposed Civil Penalty

PHMSA has proposed a fine of \$ 28,700 for the alleged violation in Item 1. This amount is excessive given the specific circumstances outlined above. Even if PHMSA disagrees with GLGT's interpretation of the notification requirement, GLGT was relying on PHMSA's clarification on this issue and acted in accordance therewith. Further, GLGT took prudent measures in its investigation of the defect. Notwithstanding the fact that the defect did not meet the threshold definition of a safety related condition, the repair was completed within 5 days of discovery. Accordingly, we respectfully request that the proposed fine be eliminated or reduced.