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January 17, 2014

Mr. Byron Coy
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
820 Bear Tavern Road
Suite 103
West Trenton, New Jersey 082628

**Re: Spectra Energy Corporation
Notice of Probable Violation Letter and Proposed Compliance Order
CPF 1-2013-1022**

Dear Mr. Coy:

From May 10, 2011 to May 12, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Eastern Region, Office of Pipeline Safety, inspected the procedures relating to the Spectra Energy Corporation's External Communication Plan. On the basis of the inspection, PHMSA identified four (4) warnings items and one (1) probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal regulations, and issued a Notice of Probable Violation and Proposed Compliance Order dated November 7, 2013.

Spectra Energy has reviewed the issues raised in the Notice of Probable Violation and Proposed Compliance Order, and will not contest PHMSA's findings. This letter is Spectra Energy's response to the Notice of Probable Violation Letter and Proposed Compliance Order.

1. §192.616 Public Awareness

Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see § 192.7).

PHMSA Finding

Spectra failed to implement its written continuing public education program, *External Communication Plan, Appendix A. Program Evaluation Methods/Survey. Appendix A. Program Evaluation*

Methods/Survey of the External Communications Plan states that a “survey should be conducted within 1-2 weeks of distribution of materials” for general public living within/near the Right-of-Way (ROW) of Spectra. Also, it states a “recommended sample size for our survey of the general public would be 750” and “[t]his would yield a precision of +/-3% at a 90% confidence interval.” However, Spectra’s surveys that were conducted by a third party and industry did not have a sample size of 750 as stated in *Appendix A of the External Communication Plan*. Also, the statistical confidence level that was specified in the industry survey conducted in 2007 and the third party surveys conducted six (6) times from 2005 to 2011 was inconsistent with the *External Communication Plan*.

In addition, *Appendix A. Program Evaluation Methods/Survey of the External Communications Plan* states that a “survey should be conducted within 1-2 weeks of distribution of materials” for excavators who may work within the ROW and emergency response officials. Also, it states:

“[t]he sample size for this survey depends on the number of excavators/emergency response officials that materials were sent to. The research company hired to conduct the survey can determine the correct sample size to yield a margin of error +/-3% at a 90% confidence level if they know how many mailings, etc. were made.”

However, neither the third party nor industry survey information that Spectra provided addressed this requirement. The third party survey conducted six (6) times from 2005 to 2011 did not include excavators or emergency response officials. And, the industry survey conducted in 2007, contained results for combined stakeholder groups instead of emergency response officials and excavators individually as well as contained the statistical confidence level information that was inconsistent with the *External Communication Plan*.

Spectra Energy Response

Spectra Energy acknowledges that the actual survey size was inconsistent with the External Communication Plan. Revision to the External Communication Plan is needed to ensure consistency.

The recommended sample size for our survey of the general public was revised from 750 to 500 in *Appendix A Program Evaluation Method/Survey of the External Communication Plan* in 2011. This revision yields a precision of +/-5% at a 95% confidence interval and will be reflected in the External Communication Plan for third party surveys. A sample size of 500 respondents for the third party surveys is consistent with the surveys conducted from 2005 through 2011. Also, the External Communication Plan will be revised to note that the sample size and confidence level for the industry (API) survey will reflect a standard agreeable to the industry as a whole in order to provide consistency in the results for all operators in the survey.

The third party annual survey conducted from 2005 to 2011 was not intended to include excavators or emergency response officials. The 2007 API survey did include excavators and emergency response officials, but Spectra Energy has found the data in the report was not of sufficient detail to fully evaluate the program effectiveness for these stakeholders.

Appendix A of the External Communication Plan will be revised to clarify that surveys will be conducted annually for the affected public and every two years for excavators, local public officials, and emergency response officials, unless a different frequency is determined to be appropriate. Furthermore, the External Communication Plan will be revised to specify the acceptable methodologies for conducting surveys for excavators, local public officials and emergency response officials. Such methodologies may include the API survey or other surveys.

2. §192.616 Public Awareness.

(a) ...

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

PHMSA Finding

Spectra failed to follow the general program recommendation, including baseline and supplemental requirements in API RP 1162 Section 4.4.

Pursuant to Section 4.4 of API RP 1162, “[o]perators should provide a summary of emergency preparedness information to local public officials and should indicate that detailed information has been provided to emergency response agencies in their jurisdictions.”

Spectra mailed a brochure in 2010 to local public officials that did not include a summary of the emergency preparedness information and indicate that the information was given to local emergency response agencies. Spectra did not produce any documentation or records that showed it did provide local public officials emergency preparedness information.

Spectra Energy Response

Spectra Energy recognizes that brochure mailed out in 2010 to local public officials did not include a summary of emergency preparedness information as required in API RP 1162 Section 4.4.

The local public officials brochure will be revised to include a summary and location of the emergency preparedness information. Spectra Energy will implement a process to ensure that local public officials receive a summary of the emergency preparedness information provided to emergency response officials, and will revise the External Communication Plan accordingly.

3. §192.616 Public Awareness.

(a) ...

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

PHMSA Finding

Spectra failed to follow the general program recommendation, including baseline and supplemental requirements in API RP 1162 Section 4.4.3.

Pursuant to Section 4.4.3 of API RP 1162, “operators should include information about how emergency officials can access the operator’s emergency response plans covering their jurisdiction” in the message content to emergency officials. However, Spectra’s brochure/materials that were mailed to emergency officials in 2010 and the *2010 Program Guide Pipeline Emergency Response & Damage Prevention Training Pennsylvania* did not address how emergency officials can access its emergency response plan. During the inspection, Spectra indicated that it advised emergency responder that the emergency response plans are available to them during its business hours at the group meetings. But, Spectra could not provide documentation that showed that information was provided to emergency responders.

Spectra Energy Response

Spectra Energy’s 2010 brochure/materials did include a phone number to call if the emergency responders want “*general information or have a non-emergency question*”. Thus the emergency responders were provided a way to request emergency response plans. However, Spectra Energy acknowledges that these brochure/materials and the *2010 Program Guide Pipeline Emergency Response & Damage Prevention Training Pennsylvania* did not provide explicit instructions for how emergency response officials can access its emergency response plan.

As was discussed during the inspection, Spectra Energy was in the process of developing an *Emergency Responder Guidebook* that does include explicit instructions for how emergency responders can get a copy of the detailed emergency response plans. These *Emergency Responder Guidebooks* were distributed during emergency responder liaison meetings starting in 2012. These guidebooks will continue to be provided to the emergency responders during liaison meeting and upon request.

Spectra Energy will make revisions to brochures/materials to include information on how emergency officials can access its emergency response plan or a copy of the *Emergency Responder Guidebook*. The External Communication Plan will be revised as necessary to address this requirement.

4. §192.616 Public Awareness.

(a) ...

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

PHMSA Finding

Spectra failed to follow the general program recommendation, including baseline and supplemental requirements under API RP 1162 Section 4.7. Specifically, Spectra did not provide information about whether it has High Consequence Areas (HCAs) and/or an Integrity Management Program (IMP) to the affected public, emergency officials, and public officials.

Section 4.7 of API RP 1162 describes the information that should be included in the message content to affected public, emergency officials, and public officials within HCAs. Pursuant to Section 4.7.1 of API RP 1162, operators should include general information that some segments along their transmission pipeline are designated as HCAs and that an IMP has been developed, to affected public. Also, operators should include information on where to obtain an overview of their IMP or view upon request. However, Spectra's brochure that was mailed to the affected public in 2010 did not contain the aforementioned information. In addition, Section 4.7.2 of API RP 1162 requires operators to include an overview of the IMP to emergency officials as well as a chance for them to provide feedback on the IMP. However, Spectra's brochure that was mailed to the emergency officials in 2010 did not contain information about its IMP and how to provide feedback.

Furthermore, Section 4.7.3 of API RP 1162 requires operators to include information on where to obtain an overview of their IMP or view upon request, to the public officials. However, Spectra's brochure that was mailed to the public officials in 2010 did not contain the aforementioned information. Spectra did not include the information outlined under Section 4.7 of API RP 1162 to the appropriate stakeholders.

Spectra Energy Response

Spectra Energy's 2010 brochures/materials did include a phone number to call if the affected public, local public officials or emergency response officials want "*general information or have a non-emergency question*". Thus Spectra Energy did provide a way to request additional information, including information about High Consequence Areas (HCAs) or an overview of the Integrity Management Program (IMP). However, Spectra Energy acknowledges that it did not provide explicit information about HCAs or the IMP to the affected public, emergency officials, and local public officials in the brochures mailed out in 2010 and subsequent years.

Spectra Energy will make revisions to the brochures to include general information on HCAs and segments along the transmission line that have been designated as HCAs, as required in 4.7 of API RP 1162. The brochures will also include information and location on where to find the overview of the IMP and how to provide feedback as required in Section 4.7.1 and 4.7.2 of API RP 1162.

The brochures will also be revised to include information on where local response officials can obtain an overview of the IMP or view it via a web page, as required in Section 4.7.3 of API RP 1162. The External Communication Plan will be revised accordingly.

5. §192.616 Public Awareness.

a) ...

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

PHMSA Finding

Spectra failed to follow the general program recommendation, including baseline and supplemental requirements in API RP 1162 Section 8.4 because it did not perform an effectiveness evaluation.

Spectra had no documentation or records that showed it evaluated the survey results or any other data for each individual stakeholder group (affected public, excavators, public officials, and emergency responders) to determine whether the program is effective or improvement is necessary.

Under Section 8.4 of API RP 1162, an operator should measure the program effectiveness. As such, an operator should assess four measures to determine whether the actions undertaken in the implementation of API RP 1162 are achieving the intended goals and objectives (effectiveness evaluation) (emphasis added).[1] Under Section 8.5 of API RP 1162, an operator must evaluate the effectiveness of its program “[n]o more than four years apart.”[2]

During the inspection, PHMSA inspectors requested that Spectra provide documentation of its effectiveness evaluation. Subsequently, a Spectra representative provided a copy of a table/questionnaire titled “2009 Communication Plan Evaluation” with the date December 9, 2009. In addition, Spectra also provided a copy of results from an industry survey that was conducted in 2007 and results from third party surveys conducted six (6) times from 2005 to 2011.

First, the “2009 Communication Plan Evaluation” had questions that generally focus on whether action(s) have been implemented, and findings that stated where in the program the action(s) have or have not been implemented. This document did not address the effectiveness of the public awareness program. Second, the results from the survey conducted by industry did not survey individual stakeholders, rather instead combined some stakeholders together. Third, the results from the survey conducted by the third party only surveyed the affected public. Thus, Spectra could not assess the results of the surveys because there was no recent survey that included all stakeholders.

Spectra Energy Response

The 2009 Communication Plan Evaluation did address the effectiveness of the public awareness program. The effectiveness review noted whether each aspect of the program was satisfactory or not and what actions Spectra Energy should consider if one of the elements was unsatisfactory. However, Spectra Energy recognizes that the effectiveness evaluation performed was subjective and the documentation did not provide details on the methodology used to conduct the effectiveness evaluation. Spectra Energy will revise its process for conducting and documenting the effectiveness evaluation, and will revise the External Communication Plan accordingly.

The third party annual survey conducted from 2005 to 2011 was not intended to include excavators or emergency response officials. The 2007 API survey did include excavators and emergency response officials, but Spectra Energy has found the data in the report was not of sufficient detail to fully evaluate the program effectiveness for these stakeholders.

Appendix A of the External Communication Plan will be revised to clarify that surveys will be conducted annually for the affected public and every two years for excavators, local public officials, and emergency response officials, unless a different frequency is determined to be appropriate. Furthermore, the External Communication Plan will be revised to specify the acceptable methodologies for conducting surveys for excavators, local public officials and emergency response officials. Such methodologies may include the API survey or other surveys.

Proposed Compliance Order

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

1. In regards to Item Number 5 of the Notice pertaining to §192.616(c), Spectra must :
 - a. Conduct an evaluation in accordance with Section 8.4 of American Petroleum Institute (API) Recommended Practice (RP) 1162 and its applicable procedures within sixty (90)¹ days of receipt of the Final Order.
 - b. Submit a report that details how it plans to implement improvement(s) (if necessary) to its public awareness program based on the results of the evaluation or justify why improvements are not practicable and not necessary for safety within one hundred twenty (150)² days of receipt of the Final Order.
 - c. Submit all related information and reports for this effort to Byron Coy, PE, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration, Suite 103, Bear Tavern Road, West Trenton, NJ 08628.
2. It is requested (not mandated) that Spectra maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Byron Coy, Director, Eastern 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.

Spectra Energy Response

As noted above, Spectra Energy did provide PHMSA documentation of the results of the effectiveness review. However, Spectra Energy recognizes that the effectiveness evaluation performed was subjective and the documentation did not show the methodology used to conduct the evaluation, and thus did not meet the PHMSA's expectation. Spectra Energy will modify how effectiveness evaluation is conducted and will revise the External Communication Plan accordingly. Spectra Energy will conduct an

¹ Sixty (90) days is specified in the Proposed Compliance Order.

² One hundred twenty (150) days is specified in the Proposed Compliance Order.

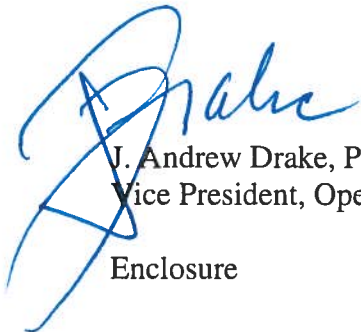
effectiveness review using the new methodology and provide the results and recommended changes, if any, to PHMSA.

The Proposed Compliance Order does contain two (2) conflicting timing requirements, as noted below. (See Exhibit A) Spectra Energy respectfully requests these conflicts be clarified as follows:

- The Proposed Compliance Order specifies the effectiveness evaluation must be completed within “sixty (90) days of the Final Order”. Spectra Energy respectfully requests the Final Order specify this evaluation be conducted within “ninety (90) days of the Final Order”.
- The Proposed Compliance Order specifies the report on necessary improvements, if any, based on the evaluation must be submitted to PHMSA within “one hundred twenty (150) days of the Final Order”. Spectra Energy respectfully requests the Final Order specify this evaluation be conducted within “one hundred fifty (150) days of the Final Order”.

This completes our response to the issues raised in the NOPV and Proposed Compliance Order. If you need additional information, please contact Rick Kivela at (713) 627-6388.

Sincerely,



J. Andrew Drake, P.E.
Vice President, Operations and EHS

Enclosure

EXHIBIT A

PROPOSED COMPLIANCE ORDER

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

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