NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 12, 2009

Mr. Vernon J. Meier
Vice President, US Pipelines, Field Operations
TransCanada Pipelines Limited
717 Texas Street
Houston, TX 77002-2761

Dear Mr. Meier:

On October 20-24, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Arizona Corporation Commission (ACC) and the Washington Utilities and Transportation Commission (WUTC) pursuant to Chapter 601 of 49 United States Code inspected TransCanada Pipelines Limited (TransCanada) procedures for operations and maintenance in Houston, Texas.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within TransCanada’s plans or procedures, as described below:

1. §192.13 What general requirements apply to pipelines regulated under this part?
   (c) Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.

§192.553 General requirements.
   (a) Pressure increases. Whenever the requirements of this subpart require that an increase in operating pressure be made in increments, the pressure must be increased gradually, at a rate that can be controlled, and in accordance with the following:
      (1) At the end of each incremental increase, the pressure must be held constant while the entire segment of the pipeline that is affected is checked for leaks.
(2) Each leak detected must be repaired before a further pressure increase is made, except that a leak determined not to be potentially hazardous need not be repaired, if it is monitored during the pressure increase and it does not become potentially hazardous.

TransCanada’s procedures need to specify that all leaks will be repaired or monitored prior to the next incremental increase. Also leak surveys must be performed between each incremental increase.

2. §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’s procedures need to establish who is responsible for the operations and maintenance manual review.

3. §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.

(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

A. §192.611 Change in class location: Confirmation or revision of maximum allowable operating pressure.

(d) Confirmation or revision of the maximum allowable operating pressure that is required as a result of a study under §192.609 must be completed within 24 months of the change in class location. Pressure reduction under paragraph (a) (1) or (2) of this section within the 24-month period does not preclude establishing a maximum allowable operating pressure under paragraph (a)(3) of this section at a later date.

TransCanada’s procedures need to specify that confirmation or revision will be completed no later than 24 months from the date of the class location change.

B. §192.612 Underwater inspection and reburial of pipelines in the Gulf of Mexico and its inlets

(a) Each operator shall prepare and follow a procedure to identify its pipelines in the Gulf of Mexico and its inlets in waters less than 15 feet (4.6
meters) deep as measured from mean low water that are at risk of being an exposed underwater pipeline or a hazard to navigation. The procedures must be in effect August 10, 2005.

(b) Each operator shall conduct appropriate periodic underwater inspections of its pipelines in the Gulf of Mexico and its inlets in waters less than 15 feet (4.6 meters) deep as measured from mean low water based on the identified risk.

(c) If an operator discovers that its pipeline is an exposed underwater pipeline or poses a hazard to navigation, the operator shall:

(1) Promptly, but not later than 24 hours after discovery, notify the National Response Center, telephone: 1-800-424-8802, of the location and, if available, the geographic coordinates of that pipeline.
(2) Promptly, but not later than 7 days after discovery, mark the location of the pipeline in accordance with 33 CFR Part 64 at the ends of the pipeline segment and at intervals of not over 500 yards (457 meters) long, except that a pipeline segment less than 200 yards (183 meters) long need only be marked at the center; and
(3) Within 6 months after discovery, or not later than November 1 of the following year if the 6 month period is later than November 1 of the year of discovery, bury the pipeline so that the top of the pipe is 36 inches (914 millimeters) below the underwater natural bottom (as determined by recognized and generally accepted practices) for normal excavation or 18 inches (457 millimeters) for rock excavation.

(i) An operator may employ engineered alternatives to burial that meet or exceed the level of protection provided by burial.
(ii) If an operator cannot obtain required state or Federal permits in time to comply with this section, it must notify OPS; specify whether the required permit is state or Federal; and, justify the delay.

TransCanada’s procedures need to include instructions for performing underwater inspections in the Gulf of Mexico and its inlets in waters less than 15 feet deep.

C. §192.613 Continuing Surveillance.

(a) Each operator shall have a procedure for continuing surveillance of its facilities to determine and take appropriate action concerning changes in class location, failures, leakage history, corrosion, substantial changes in cathodic protection requirements, and other unusual operating and maintenance conditions.
(b) If a segment of pipeline is determined to be in unsatisfactory condition but no immediate hazard exists, the operator shall initiate a program to recondition or phase out the segment involved, or, if the segment cannot be reconditioned or phased out, reduce the maximum allowable operating pressure in accordance with §192.619 (a) and (b).

TransCanada’s procedures need to specify that continuing surveillance findings will be documented.
D. §192.615 Emergency plans.

(c) Each operator shall establish and maintain liaison with appropriate fire, police, and other public officials to:

(1) Learn the responsibility and resources of each government organization that may respond to a gas pipeline emergency;
(2) Acquaint the officials with the operator's ability in responding to a gas pipeline emergency;
(3) Identify the types of gas pipeline emergencies of which the operator notifies the officials; and,
(4) Plan how the operator and officials can engage in mutual assistance to minimize hazards to life or property.

TransCanada’s procedures need to identify how often liaison with fire, police and public officials is to be performed.

E. §192.617 Investigation of failures.

Each operator shall establish procedures for analyzing accidents and failures, including the selection of samples of the failed facility or equipment for laboratory examination, where appropriate, for the purpose of determining the causes of the failure and minimizing the possibility of a recurrence.

TransCanada’s procedures need to identify how specimens are to be preserved, collected and analyzed including a chain of custody.

4. §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.

A. §192.455 External corrosion control: Buried or submerged pipelines installed after July 31, 1971

(1) It must have an external protective coating meeting the requirements of §192.461.

TransCanada’s procedures need to cross reference 192.461 for coating requirements.

B. §192.463 External corrosion control: Cathodic protection.

(c) The amount of cathodic protection must be controlled so as not to damage the protective coating or the pipe.
TransCanada’s procedures need to identify a pipe-to-soil potential range that could possibly induce excessive generation of hydrogen.

C. §192.467 External corrosion control: Electrical isolation.

(c) Except for unprotected copper inserted in a ferrous pipe, each pipeline must be electrically isolated from metallic casings that are a part of the underground system. However, if isolation is not achieved because it is impractical, other measures must be taken to minimize corrosion of the pipeline inside the casing.

TransCanada’s procedures need to specify measures to be taken to minimize corrosion of the pipeline if attempts to clear shorted casings are impractical or unsuccessful.


(b) Each impressed current type cathodic protection system or galvanic anode system must be designed and installed so as to minimize any adverse effects on existing adjacent underground metallic structures.

TransCanada’s procedures need to specify that during design and installation of cathodic protection systems consideration to minimizing detrimental effects of strays current to other facilities will be addressed.

E. §192.481 Atmospheric corrosion control: Monitoring

(c) If atmospheric corrosion is found during an inspection, the operator must provide protection against the corrosion as required by Sec. 192.479.

TransCanada’s procedures need to specify that prompt remedial action will be taken for atmospheric corrosion repairs.

5. §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.

(3) Making construction records, maps, and operating history available to appropriate operating personnel.

TransCanada’s procedures need to specify where records, maps and operating history are stored for availability to personnel.

6. §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.

(8) Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedure when deficiencies are found.

TransCanada’s procedures need to specify documenting the reviews of work performed by operator personnel.

7. §192.605 Procedural manual for operations, maintenance, and emergencies

(c) Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:

(1) Responding to, investigating, and correcting the cause of:
(ii) Increase or decrease in pressure or flow rate outside normal operating limits

TransCanada’s procedures need to address increases or decreases in pressure or flow rates outside of normal operational limits.

8. §192.605 Procedural manual for operations, maintenance, and emergencies

(c) Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:

(4) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

TransCanada’s procedures need to specify that any deficiencies found after abnormal operations reviews will be corrected.

TransCanada submitted its amended procedures to this office on December 24, 2008, prior to the delivery of this Notice. My staff reviewed the amended procedures, and it appears that the inadequacies outlined in this Notice of Amendment have been corrected.

This letter is to inform you no further action is necessary and this case is now closed. Thank you for your cooperation.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in
this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies
(49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your
amended procedures to my office within 30 days of receipt of this Notice. This period may be
extended by written request for good cause. Once the inadequacies identified herein have been
addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF 4-2009-1004M and, for each
document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings