NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 11, 2008

Mr. Ross Parker
Regional Director
TransCanada – Gas Transmission Northwest
1400 SW Fifth Avenue
Suite 900
Portland, OR 97201

Dear Mr. Parker:


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

1. §192.463 External corrosion control: Cathodic protection.
   (a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

TransCanada has not remediated low cathodic protection (CP) monitoring levels at test station MP 14.1 on the B-Line of the Gas Transmission Northwest System. Records show that these low levels were documented during their 2005 CP survey, 2006 CP survey, and again during an October 2006 CP survey. Specifically, the CP monitoring levels at station MP 14.1 have not met the criteria listed under Appendix A, 49 CFR 192 which requires CP monitoring levels to: 1) be more negative than -850 mV with CP
being interrupted, an "off" reading, or 2) have a depolarized shift of at least 100 mV. 
CP monitoring records also show that "off" readings at MP 14.1 were less negative than 
depolarized readings at the above three CP monitoring surveys. This test station is also 
adjacent to a cased railroad crossing.

CP monitoring levels must meet one or more of the criteria listed in Appendix A, 49 
CFR 192. Also depolarized readings that are more negative than "off" readings indicate 
possible interference with the cased crossing or other problems with either the CP 
system or the method of CP monitoring.

2. § 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.

TransCanada was unable to provide records documenting the reviews, once each 
calendar year not to exceed 15 months, of all procedures required under §192.605.
TransCanada did provide documentation showing that their master Operations and 
Maintenance manual had been updated in June 2005 and September 2006. This manual 
describes how TransCanada will meet the requirements of 49 CFR 192, and in doing so 
references procedures that reside in other TransCanada manuals. TransCanada could not 
provide documentation that those referenced procedures had been reviewed once each 
calendar year not to exceed 15 months.

An operator must review all operation and maintenance procedures it uses for complying 
with 49 CFR 192. Review of a master manual alone is not considered adequate.

3. §192.705 Transmission lines: Patrolling,
(a) Each operator shall have a patrol program to observe surface conditions on 
and adjacent to the transmission line right-of-way for indications of leaks, 
construction activity, and other factors affecting safety and operation.

During this inspection it was observed that the pipeline right-of-way (ROW) was 
covered by dense vegetation. TransCanada uses aircraft to fulfill their patrolling 
requirements of the ROW.

An operator must keep the ROW and areas adjacent to the ROW in a condition that will 
allow them to observe leak indications, construction activity and other factors affecting 
safety and operation. If an operator chooses to use aerial patrols then the surface 
condition must be kept adequately cleared to allow observation of the ground when 
fllying overhead.

2
Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to TransCanada. Please refer to the Proposed Compliance Order that is enclosed and made a part of this Notice.

Warning Items

With respect to items 2 and 3, 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 items. Be advised that failure to do so may result in TransCanada 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 5-2008-1004 and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]

Chris Holder
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
    PHP-500 (G Davis # 118881)

Enclosures: Proposed Compliance Order
            Response Options for Pipeline Operators in Compliance Proceedings
PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to low cathodic protection (CP) monitoring levels at MP 14.1 and pertaining to depolarized CP monitoring levels that were more negative than "off" CP monitoring levels at MP 14.1, TransCanada must:
   a. Initiate an investigative excavation to inspect the condition of the pipe at MP 14.1,
   b. Make repairs to the pipe at MP 14.1 if necessary,
   c. Ensure that CP monitoring levels meet one or more of the criteria listed in Appendix A of 49 CFR 192 and,
   d. Resolve the depolarized CP monitoring levels being higher than the "off" CP monitoring levels.

2. TransCanada must complete Item 1 within 30 days after receipt of the Final Order.

3. TransCanada shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.