

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 17, 2009

Mr. Ross T. Parker
Regional Director, US Operations
TransCanada
1400 SW 5th Avenue, Suite 900
Portland, OR 97201

CPF 5-2009-1001W

Dear Mr. Parker:

On November 3-7, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your North Baja Pipeline in the State of California.

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. §192.603 General provisions.

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

TransCanada's procedures for cathodic protection (CP) criteria specify that the pipeline pipe-to-soil potential will meet either -0.850 V (instant-off) or 100 mV shift criteria as required by 192.463(a). However, the annual survey record for 2008 did not have sufficient analysis to indicate adequate protection for all test stations per TransCanada's

procedures. There were many test stations where the instant off pipe-to-soil potential reading was less than -0.850 V. In addition, the annual survey did not evaluate the instant-off, pipe-to-soil potential and the native pipe-to-soil potential to determine if 100 mV shift criterion was met.

2. §192.603 General provisions.

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

and,

§192.467 External corrosion control: Electrical isolation.

(b) One or more insulating devices must be installed where electrical isolation of a portion of a pipeline is necessary to facilitate the application of corrosion control.

At the time of inspection, there was no record of electrical isolation for the Socal/North Baja connection at the Socal meter station in Blyth, California, as required by §192.467(d).

3. §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.

A TransCanada employee was observed not following TransCanada's procedures for Hot Work that require monitoring the atmosphere for natural gas when using the cell phone near the valve, or moving outside of the valve yard and more than 5 meters from the piping and valves.

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. 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 correct the item(s) identified in this letter. Failure to do so will result in TransCanada being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2009-1001W**. 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).

Sincerely,

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

cc: PHP-60 Compliance Registry
PHP-500 C. Allen (#'s 120757 and 122431)