

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 21, 2010

Mr. Ken Leier
Region Director
TransCanada
U.S. Western Pipe Region
534 E. Spokane Fall Blvd.
Spokane, WA 99202

CPF 5-2010-1005

Dear Mr. Leier:

On August 24 through 27, 2009 and September 8 through 11, 2009, a representative from the Washington Utilities Commission on behalf of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Rosalia District in Spokane and Whitman Counties in Eastern Washington.

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

- 1. §192.465 External corrosion control: Monitoring
(d) Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.**

TransCanada did not take prompt remedial action to correct deficient pipe-to-soil values at the Spokane Gate/Meter Station that was originally identified in 2007. The 6-inch diameter buried loop pipe located between the heater unit and the meter building exhibited a pipe-to-soil “on” potential value of approximately -443 mv DC, during the 2007 field inspection. In 2006 the native potential at this location was measured at approximately -229 mv DC. During the 2009 inspection, the same 6-inch loop had a pipe-to-soil of -210 mv DC. During this time, the rectifier had been off for the previous four weeks to measure the District’s native potentials. No remediation of the cathodic protection system had been completed since 2007.

Proposed Compliance Order

With respect to item number 1, 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*, which is enclosed and made a part of this Notice.

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 5-2010-1005** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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 TransCanada not taking prompt remedial action to correct deficient pipe-to-soil values at the Spokane Gate/Meter Station that was originally identified in 2007. TransCanada must take the necessary steps to correct deficient pipe-to-soil measurements and maintain acceptable pipe-to-soil values, per 49 CFR Part 192, Subpart I.
2. PHMSA proposes that TransCanada complete the necessary steps to correct this deficiency within 60 days of issuance of the Final Order.
4. 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.