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Tom V. Wooden
Vice President, Operations
Northeast Transmission

September 21, 2010

Byron Coy, P.E.
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
Mountain View Ofc. Park
820 Bear Tavern Road Suite 306
West Trenton, NJ 08628

Re: Algonquin Gas Transmission, LLC
Notice of Probable Violation
CPF 1-2010-1004

Dear Mr. Coy:

Between October 2007 and October 2009, State Inspectors from the Connecticut Department of Public Utility Control ("CT PUC"), acting as Agents for the Pipeline and Hazardous Materials Safety ("PHMSA"), inspected Algonquin Gas Transmission's ("AGT") facilities near Cromwell, Connecticut.

As a result of these inspections, PHMSA issued a Notice of Probable Violation ("NOPV") to AGT on August 10, 2010. The NOPV specified six (6) probable violations relating to AGT's operations, and proposed a civil penalty of \$87,500.

AGT has reviewed the six (6) probable violations specified by PHMSA in the NOPV, and does not contest these probable violations; however, as discussed below with reference to Probable Violation 2, AGT was in compliance with the requirement cited but failed to properly document that compliance. AGT has paid the civil penalty of \$87,500 via wire transfer per the instructions attached to the NOPV.

To address the probable violations cited by the CT PUC and described in the NOPV, AGT submits the following responses and information relating to each of the six (6) findings of violation.

Probable Violation 1

§ 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 once 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.

Algonquin Gas Transmission (AGT) did not follow their manual of written procedures by not completing its work permit forms.

AGT's hot work procedure states that "Hot Work cannot begin until the Hot Work Permit (Form #7T-74) has been approved. AGT did not follow their procedure in that permit fields were left blank and the permits were not approved.

During the October 2007 inspection, CT DPUC inspectors reviewed hot work procedures and permits for the Cromwell Compressor Station. On each of the occasions noted below, an actual work event was executed that required the associated hot work permit to have been completed. A copy of AGT operating procedures, hot work permits, and a review of #7T-74 forms indicated missing signatures and/or other information as noted below:

- Permit dated 5/25/2007 did not have an Area Managerial signature.
- Permit dated 5/16/2007 did not have an Area Managerial signature and the work description field was left blank.
- Permit dated 8/1/2007 had blank fields for work type, issued to, job location, and had no Area Managerial signature.
- Permit dated 1/4/07 required a fire guard/watch signature, but no signature was present.
- One (1) of the permits issued to AGES that referenced the C6 ignition replacement work related to the hot work being performed at the Cromwell compressor station was undated.

AGT Response to Probable Violation 1

In response to the finding of Hot Work Permits being incomplete or incorrect, the Cromwell Area has trained all Area employees on the requirements for hot work permits, as specified in SOP 5-8010. In addition, all Hot Work Permits are reviewed by Area Management.

Probable Violation 2

§ 192.736 Compressor stations: Gas detection.

(b) Except when shutdown of the system is necessary for maintenance under paragraph (c) of this section, each gas detection and alarm system required by this section must—

(1) Continuously monitor the compressor building for a concentration of gas in air of not more than 25 percent of the lower explosive limit; and CPF 1-2010-1004

AGT did not continuously monitor that the concentration of gas in air was not more than 25% of the Lower Explosive Limit (LEL) required by the regulation or the 20% established by the operator's Standard Operating Procedures (SOP).

From February 2008 through July 2009, gas detector alarms in the Cromwell Compressor Station were set at 30% LEL. During the 2009 inspection, CT DPUC inspectors reviewed 2007 through 2009 gas detector records for the Cromwell Compressor Station. In February 2008, August 2008, and March 2009, the gas detector alarm setting for 21 detectors was set at 30%. The 2007 records showed the correct set point, and the July 2009 records show that the set point had returned to the correct setting of 20% LEL. Mr. Bradley Franzese, AGT Area Manager for the Cromwell Area, concurred that Procedure 4-3030 "Stationary Gas & Fire Detection Systems" does correctly annotate a 20% LEL setting, which was in place during the entire time period in question (9/10/2007 through 7/9/2009).

AGT Response to Probable Violation 2

AGT has reviewed archived PLC programming for the gas detectors from 2006, 2007 and 2009, and has determined the low level alarms were, in fact, set to 20% of the lower explosive limit ("LEL"), as specified in AGT's procedures; and that AGT did, in fact, continuously monitor that the concentration of gas in air was not more than 25% of the Lower Explosive Limit (LEL) required by the regulation or the 20% established by the operator's Standard Operating Procedures (SOP). However, the documentation was not filled out correctly, and did show a setpoint of 30% LEL as noted by the inspectors. This finding is a result of the paperwork being filled out incorrectly, but the detection level

was set in compliance with regulatory and SOP requirements. Example documentation of the actual program setpoint of 20% LEL for the years in question is attached.

(Note: There is not documentation for 2008 as there were no program changes made between the 2007 and 2009 versions.)

Probable Violation 3

§ 192.603 General provisions.

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

AGT did not keep records necessary to comply with the procedures established under §192.605.

During the 2007 CT DPUC inspection, a set of drawings at the AGT Cromwell Compressor Station was found to be not current, and the information was not up-to-date. Valve 202 was incorrectly labeled as Valve 231 on the control room map. Valves 207 & 208 were removed during modifications/removal of the V2A vessel project in 2004, but they were still shown on the control room map.

Upon being questioned by the CT DPUC about the drawing, a written response from AGT said that "Valve 231 representing the intended valve on the drawing was a misprint of Valve 202" and that "Valves 207 & 208 were removed with the modifications/removal of the V2A vessel project." AGT provided a copy of drawing C-1481-550, Rev. 6 "Schematic Flow Diagram, Cromwell, Connecticut." The drawing shows V2A vessel & Valves 231, 207, & 208.

AGT Response to Probable Violation 3

During routine inspections and maintenance activities, personnel are instructed to physically compare PLD/CSD/MSD's to the list of assets in Maximo¹ and the actual assets at each location/facility to verify serial numbers etc. When a discrepancy is identified, the necessary information is immediately forwarded to the Region Office to route through the appropriate channel for review and revision to ensure accurate and complete records are maintained. The importance of having accurate drawings and Maximo asset information has been re-emphasized with Area employees.

¹ Maximo is SET's work management system that assists with scheduling, notification and documentation of work activities for various assets, such as valves, control valves, relief valves and regulators.

Probable Violation 4

§ 192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

Valves that might be required during an emergency were not inspected by AGT at intervals not exceeding 15 months.

Mr. Bradley Franzese, AGT Area Manager for the Cromwell Area, stated during the audit in 2007, that AGT in the Cromwell Area considers all valves 2" and greater to be critical valves. As such, they should be maintained according to this section. During the 2007 inspection, the CT DPUC inspector review of maintenance sheets for years 2004, 2005, 2006, and 2007 revealed that the maintenance interval on valves 1239A, 215A, 215B, 215C, 215D, 28A, and 202 exceeded 15 months for 2004 – 2005.

The CT DPUC inspectors reviewed copies of the following relevant valve maintenance reports:

215A-D: Inspected 06/04/2004 and 9/9/2005

1239A: Inspected 5/20/2004 and 9/9/2005

28A: Inspected 5/12/2004 and 9/21/2005

AGT Response to Probable Violation 4

Since 2005, AGT has implemented the Maximo work management system for valve inspection and maintenance (implemented in 2007). The Maximo system is set up with valve inspection due dates every 12 months and the compliance dates 15 months after the last inspection for each valve. The Maximo program provides for notification to Area Management as assets approach the 12 month due date and additional notifications if the required inspection has not been completed by the due date. This helps to ensure that all valves inspections are completed well before the 15 month deadline. AGT believes that the implementation of the Maximo system should prevent a recurrence of missing required inspection intervals.

Probable Violation 5

§ 192.709 Transmission lines: Record keeping.

(c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

AGT did not retain records of internal inspections or valve inspections for five years. During the 2007 CT DPUC review of records, the State inspectors noticed that at two (2) locations on the E-system dent removal project in 2005, sections of pipe were removed, and there was no record of inspections being conducted for internal corrosion. AGT claims that the inspections were performed; however, they cannot produce any records to substantiate this claim. AGT explained in a letter dated October 9, 2007, to the CT DPUC that the inspection for internal corrosion was conducted at the time that the sections of pipe were removed, but apparently not documented.

During the 2009 CT DPUC inspection, the operator could not produce records for 10 valves showing they had been inspected within the calendar year of 2008 as required by AGT Procedure Number 5-5010. AGT stated that the maintenance for these ten valves was performed on 12/5/2008 but that they do not have the records to reflect the maintenance.

AGT Response to Probable Violation 5

Area employees that perform internal pipe inspections have been re-trained in the requirements for inspection and documentation of the internal surface of the pipe, and additional quality assurance practices have been implemented to assure this is being done.

As to the second paragraph, the maintenance was performed as stated and the documentation issue has been addressed by the implementation of Maximo.

Probable Violation 6

§ 192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is—

Pressure regulating stations were not inspected by AGT at intervals not exceeding 15 months.

During the 2009 CT DPUC inspection, the review of maintenance sheets for 2007, 2008, and 2009 found two (2) regulator stations that exceeded the 15 month interval between inspections.

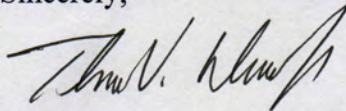
The maintenance on regulator station No. 82 was performed on 03/01/2007 and next on 08/20/2008. The maintenance on regular station No. 50 was performed on 05/22/2008 and next on 10/12/2009.

AGT Response to Probable Violation 6

AGT has implemented the Maximo work management system for regulator inspection and maintenance (implemented in 2007). The Maximo system is set up with regulator inspection due dates every 12 months and the compliance dates 15 months after the last inspection for each regulator. The Maximo program provides for notification to Area Management as assets approach the 12 month due date and additional notifications if the required inspection has not been completed by the due date. This helps to ensure that all regulator inspections are completed well before the 15 month deadline.

Please feel free to call Rick Kivela at (713) 627-6388 if you have any questions or would like to discuss these issues in more detail.

Sincerely,



Thomas V. Wooden, Jr.
Vice President, Northeast Operations

Attachment

cc (w/attachment):

Connecticut Department of Public Utility Control
Attn: Karl Baker
10 Franklin Square
New Britain, CT 06051

**Fire and Gas Detection
Factory Acceptance Test**



General Monitors

**DUKE ENERGY CROMWELL CT
Fire and Gas Detection Systems
Duke Energy Purchase Order
SO19507-01**

**Factory Acceptance Test
Cause Effect Matrix**

PANEL TAGS: FIRE & GAS DETECTION SYSTEM

16-Aug-06

Sales Order No. 52145

Document No. TEST-MATRIX-9759-dwls, Rev.0

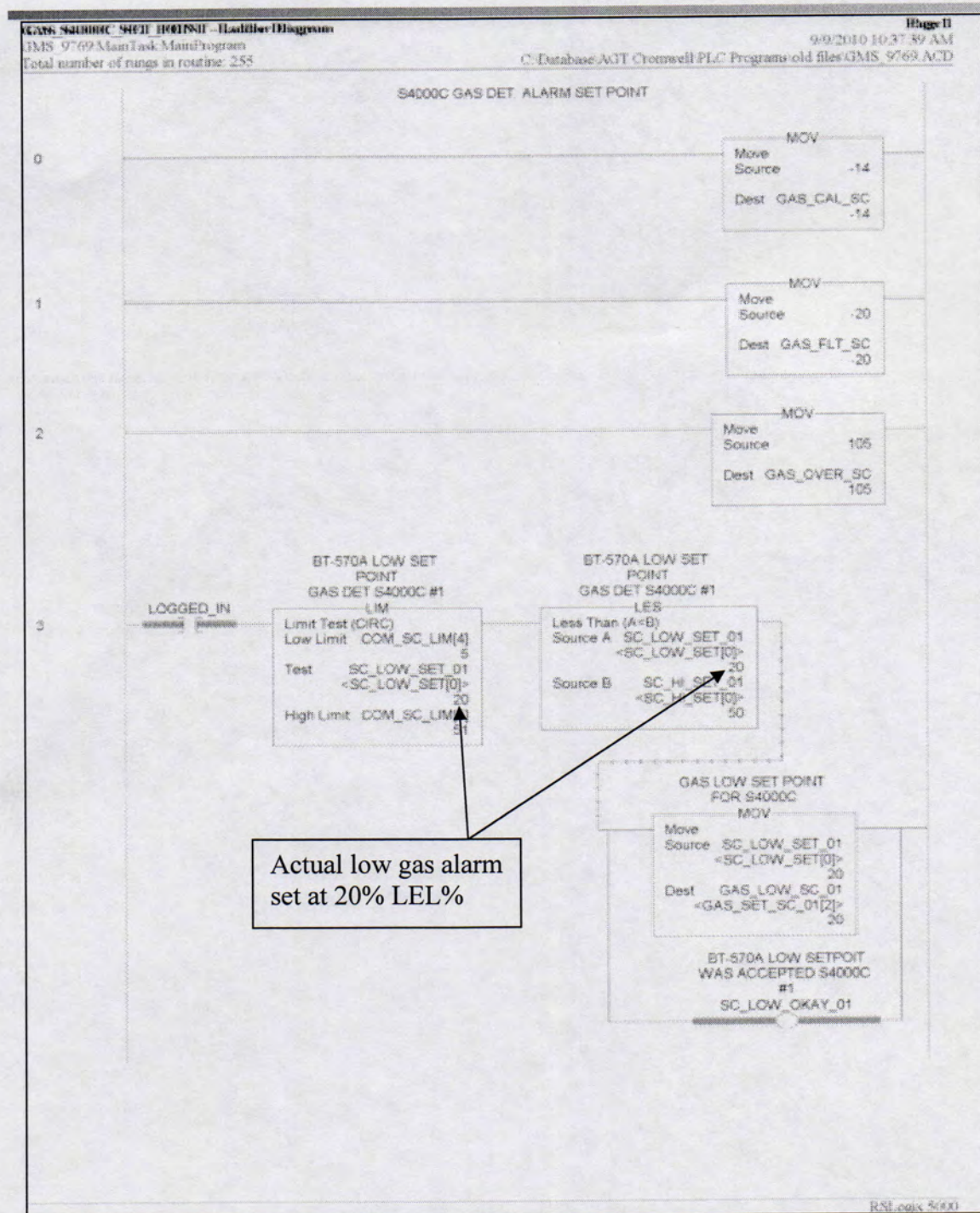
General Monitors
9775 Wilshire Drive
Houston, Texas 77066

Telephone: +1 281 855-6000
Main Fax: +1 281 855-3250
Website: www.generalmonitors.com

Fire and Gas Detection Factory Acceptance Test

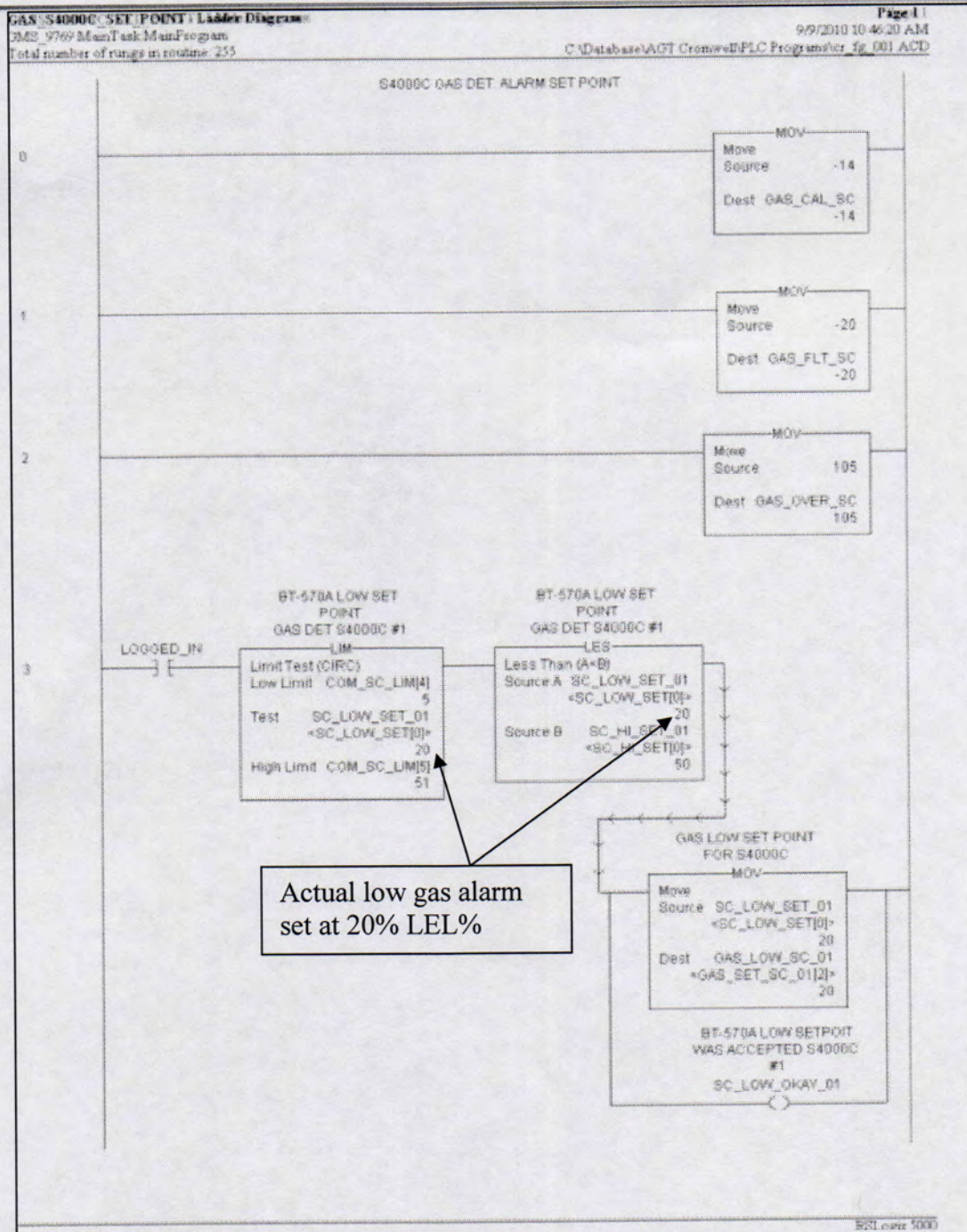
DUKE ENERGY		FIRE & GAS PANEL																Rev 0.0 01/16/00	
CAUSE & EFFECT TESTING MATRIX		FIRE & GAS PANEL																	
DUKE ENERGY CROMWELL CT																			
3	DEVICE	4	LOCATION	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
					PANEL HORN	COMMON FUG DET FAULT	ALARM HORN #1	ALARM HORN #2	ALARM HORN #3	ALARM HORN #4	ALARM STROBE LIGHT #1	ALARM STROBE LIGHT #2	ALARM STROBE LIGHT #3	ALARM STROBE LIGHT #4	GENERAL ALARM	LOCAL HBI DISPLAY	ALARM BIT ADDRESS TO PLC LOGIC		
28	34880C GAS DET		LOW GAS ALARM (20% LEL)																
29	GD_SG_01	BT-507A		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_01	
30	GD_SG_02	BT-507B		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_02	
31	GD_SG_03	BT-507C		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_03	
32	GD_SG_04	BT-507D		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_04	
33	GD_SG_05	BT-507E		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_05	
34	GD_SG_06	BT-507F		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_06	
35	GD_SG_07	BT-507G		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_07	
36	GD_SG_08	BT-507H		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_08	
37	GD_SG_09	BT-507I		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_09	
38	GD_SG_10	BT-507J		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_10	
39	GD_SG_11	BT-507K		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_11	
40	GD_SG_12	BT-507L		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_12	
41	GD_SG_13	BT-507M		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_13	
42	GD_SG_14	BT-507N		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_14	
43	GD_SG_15	BT-507O		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_15	
44	GD_SG_16	BT-507P		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_16	
45	GD_SG_17	BT-507Q		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_17	
46	GD_SG_18	BT-507R		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_18	
47	GD_SG_19	BT-507S		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_19	
48	GD_SG_20	BT-507T		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_20	
49	GD_SG_21	BT-507U		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_LGWN_21	
50	34880C GAS DET		HIGH GAS ALARM (50% LEL)																
51	GD_SG_01	BT-507A		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_01	
52	GD_SG_02	BT-507B		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_02	
53	GD_SG_03	BT-507C		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_03	
54	GD_SG_04	BT-507D		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_04	
55	GD_SG_05	BT-507E		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_05	
56	GD_SG_06	BT-507F		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_06	
57	GD_SG_07	BT-507G		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_07	
58	GD_SG_08	BT-507H		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_08	
59	GD_SG_09	BT-507I		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_09	
60	GD_SG_10	BT-507J		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_10	
61	GD_SG_11	BT-507K		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_11	
62	GD_SG_12	BT-507L		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_12	
63	GD_SG_13	BT-507M		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_13	
64	GD_SG_14	BT-507N		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_14	
65	GD_SG_15	BT-507O		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_15	
66	GD_SG_16	BT-507P		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_16	
67	GD_SG_17	BT-507Q		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_17	
68	GD_SG_18	BT-507R		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_18	
69	GD_SG_19	BT-507S		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_19	
70	GD_SG_20	BT-507T		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_20	
71	GD_SG_21	BT-507U		X	X	X	X	X	X	X	X	X	X	X	X	X		SG_HGWN_21	

2006 Gas Detector Setpoint Example Documentation



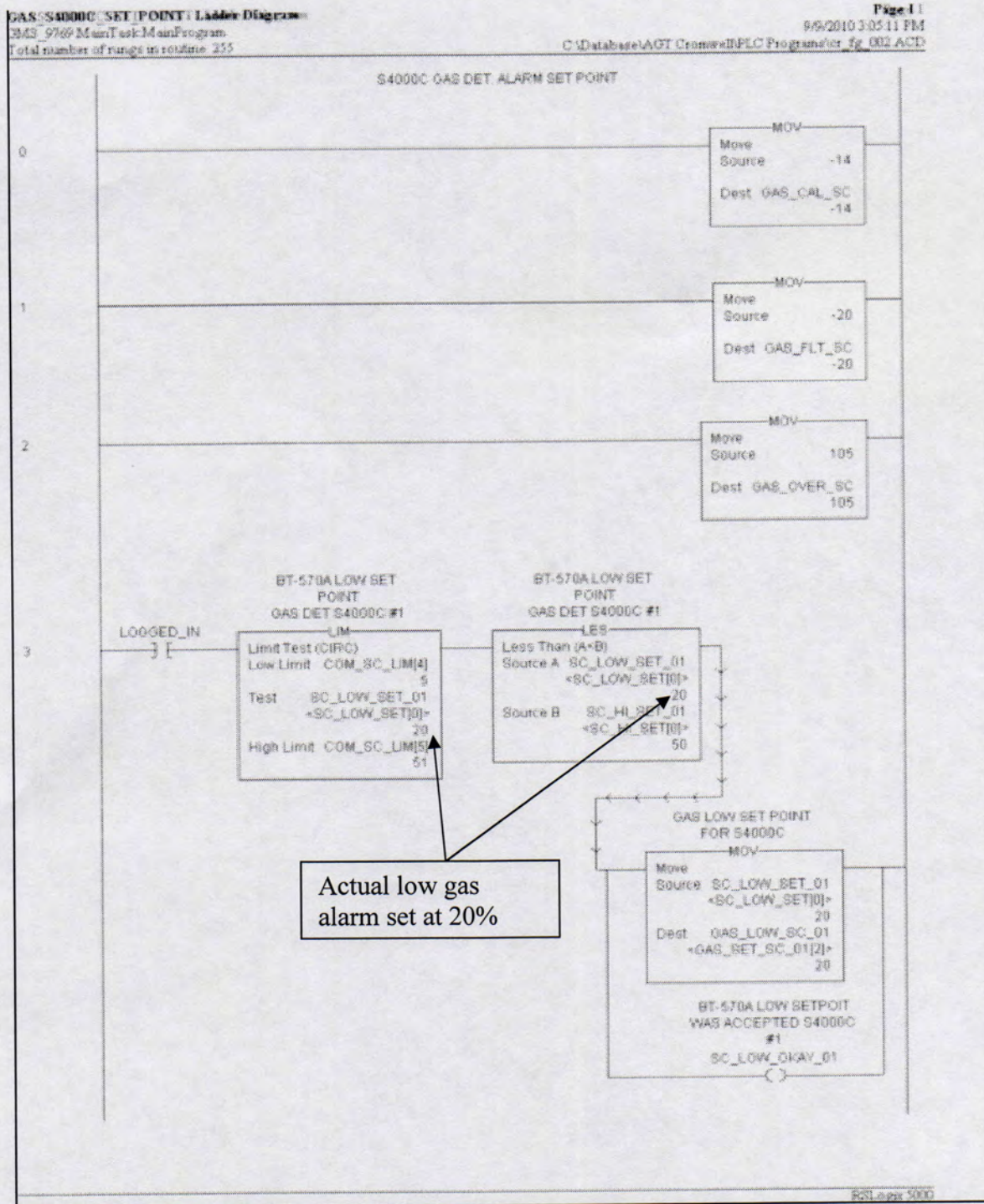
Note: Similar documentation of the 20% LEL setpoint exists for all gas detectors.

2007 Gas Detector Setpoint Example Documentation



Note: Similar documentation of the 20% LEL setpoint exists for all gas detectors.

2009 Gas Detector Setpoint Example Documentation



Note: Similar documentation of the 20% LEL setpoint exists for all gas detectors.