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Spectra Energy Partners

February 20, 2017

Mr. Robert Burrough
Acting Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
820 Bear Tavern Road
Suite 103
West Trenton, NJ 08628

RE: Algonquin Gas Transmission, L.L.C Response
Warning Letter
CPF 1-2017-1003W

Dear Mr. Burrough,

From October 26 – 29 and November 9 – 13, 2015, representatives from the Pipeline Hazardous Material Safety Administration (PHMSA) and inspectors from the New York State Department of Public Safety (NYSDPS), acting as agent of PHMSA, pursuant to Chapter 601 of 49 United States Code, inspected the records and facilities of Algonquin Gas Transmission, L.L.C (AGT), a subsidiary of Spectra Energy Partners, LP, (SEP[1]), in New York.

On January 20, 2017, PHMSA issued the above referenced Warning letter alleging three (3) probable violations of the pipeline safety regulations. The Warning letter reads as follows: "As a result of the inspection, it is appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violations are:"

1. § 192.605 Procedural Manual for Operations and Maintenance, and Emergencies

PHMSA Finding

Spectra failed to follow its procedure SOP *2-4080, Corrosion Control Remedial Actions*, dated 4/17/2013, by not taking prompt remedial action to correct a deficiency indicated by its cathodic protection monitoring. Specifically, Spectra failed to initiate corrective action of a low potential deficiency found during the 2014 cathodic protection annual survey prior to performing the next

[1] Algonquin Gas Transmission, L.L.C is a wholly-owned subsidiary of Spectra Energy Partners, LP ("SEP"), a master limited partnership whose general partner is a wholly owned subsidiary of Spectra Energy.

annual survey. This occurred at test station "738+99 L30A 30in RTE 202 S-68 #699" (TS699) on its L30A pipeline in the South Plainfield, NJ operating area.

During the inspection, the PHMSA inspector reviewed cathodic protection monitoring Annual Survey records and the Test Point Remedial Action Report for Spectra's LAMA-HANA pipeline located in the South Plainfield, NJ operating area. These records indicated that the following cathodic protection structure IRF readings and remedial actions were taken at TS 699 during the 2014 and 2015:

1. 5/02/2014 -0.841 V
2. 6/20/2015 -0.667 V with comment "Low reading, need to follow up testing"
3. 7/09/2015 "Repair Initiated Date" per SET Test Point Remedial Action Report
4. 07/21/2015 "Repair Corrected Date" per SET Test Point Remedial Action Report
5. 07/28/2015 -0.810 V

Spectra's records show that a deficient reading taken on 5/2/2014 did not have remedial action initiated prior to conducting the next annual cathodic protection survey.

Thus Spectra failed to take prompt remedial action to correct deficiency.

SEP Response

SEP contends that the readings taken on 05/2/2014 for TS 699 were not deficient. 49 CFR 192.463(a), requires the level of cathodic protection to meet one or more of the applicable criteria contained in 49 CFR Appendix D. SEP's procedure, SOP *2-2200, Application of Cathodic Protection Criteria*, dated 4/30/2014, states that "If acceptable levels of cathodic protection cannot be demonstrated by at least one of the criteria identified in the "Acceptable Criterion" sections below, take prompt remedial action to perform further testing and/or evaluations that result in adequate levels of cathodic protection." Section 2 – 4 of the procedure further identifies three (3) acceptance criteria (-.850 VDC "ON", -.850 VDC "OFF" and 100 mVDC Polarization), which are the same as specified in 49 CFR Appendix D.

SEP acknowledges that reading taken on 05/02/2014 did not meet the -.850 VDC "OFF" criterion specified in 49 CFR 192 Appendix D(I)(A)(1) and SEP's procedure. However, SEP performed additional testing to demonstrate that the cathodic protection met at least one of the acceptance criterions. In addition to performing an "ON" and "OFF" survey test on TS 699, SEP also performed a 100 mVDC polarization test, which demonstrated that TS 699 met this criterion (see test point inspection record for TS 699, enclosed). Since one (1) of the three (3) criteria was met, the CP level was compliant with SEP's procedures and applicable regulations, and remedial actions were not required in 2014.

SEP initiated remedial actions in 2015 after the test readings for TS 699 did not meet two (2) of the three (3) criterions (-850 VDC "ON" and -850 VDC "OFF"). SEP performed further testing and determined that a shorted condition on a mainline valve may have resulted in the low test readings. The shorted condition was remediated in July, 2015. Additional test readings in July, 2015 following the shorted condition remediation confirmed this action did not resolve the low test station CP level. SEP performed additional testing and evaluations that determined a new ground bed was required at this location. Environmental permits were requested in November, 2015 and a new ground bed was installed in December, 2015. Thus, remediation of the low potential was completed prior to the next annual cathodic protection survey.

Below is a timeline of events that indicate remedial actions taken following the identification of the low reading at TS 699.

Inspection Date	Structure P/S (Volts)	Structure IRF (Volts)	Depol Potential (Volts)	Summary of Events
05/02/14	-0.960	-0.841	-0.502	▪ TS 699 passed the ON and failed the IRF criteria. ▪ A depolarization test was performed and TS 699 met the 100 mV polarization acceptance criterion.
06/20/2015	-0.713	-0.667	-	▪ Remedial action plan initiated following test site reading to remediated shorted condition at mainline valve, AGT MLV 3-1, downstream TS 699 ▪ Shorted condition remediated July 9, 2015
06/30/2015	-0.930	-0.770	-	
07/28/2015	-0.960	-0.810	-	
11/17/2015				▪ Environmental permit requested to install new grounded
12/04/2015				▪ Ground bed installed

Inspection Date	Structure P/S (Volts)	Structure IRF (Volts)	Depol Potential (Volts)	Summary of Events
12/09/2015				▪ State of NJ permit declined AC power to rectifier due to proximity to State Road (RT 202)
12/31/2015	-1.970	-1.150	-	▪ Temporary rectifier used to energize new groundbed and address land owner concerns regarding new permanent rectifier location
09/16/2016				▪ Permanent rectifier installed at Holland Brook Road

The 2014 test station testing demonstrated a compliant cathodic protection level, since the 100 mV polarization criterion was met. Thus, remediation was not required in 2014. SEP respectfully requests PHMSA to withdraw this item from the Warning Letter, since the 2014 testing of TS 699 demonstrated a compliant CP level, as specified in SEP's procedures and applicable regulations.

2. § 192.605 Procedural Manual for Operations and Maintenance, and Emergencies

PHMSA Finding

Spectra failed to review the written emergency plan required by §192.615(a) for the South Plainfield, NJ operating area at an interval not exceeding 15 months, but at least once each calendar year.

During the inspection, the PHMSA inspector reviewed the Area Emergency & Security Procedures South Plainfield Area and the Memo to file records of the annual reviews of this Emergency Plan. The records show that the reviews of these procedures were performed on 1/6/2013, 1/13/2014 and 7/8/2015. The time between the reviews conducted in 2014 and 2015 exceeded the 15-month maximum interval by approximately 3 months.

SEP Response

SEP acknowledges that the Area Emergency Response plan for the South Plainfield Area was not reviewed at an annual interval not to exceed 15 months between 2014 and 2015.

Following the inspection, SEP recognized that process control improvements were needed and has since implemented process control to assure the Area Emergency Response plan is updated annually not to exceed 15 months.

3. § 192.605 Procedural Manual for Operations and Maintenance, and Emergencies

PHMSA Finding

Spectra failed to follow for each pipeline, a manual of written procedures for conduction operations and maintenance activities and for emergency response. Specifically, Spectra failed to follow the requirements for recordkeeping for aerial patrols noted in its manual of written procedures, SOP *1-6040, Aerial Pipeline Patrol*, dated 06/08/2010.

During the inspection, PHMSA and NYSDPS inspectors reviewed Air Patrol Segment, Frequency and Follow Up Reports (records) for LAMA-HANA and HANA-STON line segments for 2013 to 2015 and Patrol Aerial Monthly Flight Summary (flight logs) documentation from January through April of 2013.

Spectra's SOP 1-6040 requires aerial patrol pilots to keep a log of their patrols, including observing and documenting various conditions found on or near the right-of-way being flown.

1. Examples of observations are listed on pages 2 through 5 of the SOP under the "ACTION" column, which include indications of leakage, sink holes, fires, construction activity, etc.
2. Page 7 of the SOP requires that Area Management investigate each activity reported and to document the results of all encroachment investigations.

Eight records contained inaccurate information regarding the results of the aerial patrol. Six of these 8 records also contained inaccurate information regarding actual dates of the aerial patrols.

1. The 8 records dated 1/07/2013, 3/04/2013, 3/10/2013 and 3/31/2013 included the words "YES-W/OBSERVATIONS" in the "Segment Flown" column, indicating a condition was observed by the pilot. No follow up investigation occurred to these recorded conditions:
    a. The "Activity Type" field for the records was blank. According to Spectra, the "Activity Type" field is used to indicate that an observation was communicated to the Area Personnel.
    b. Spectra could not provide documentation indicating what the Observations were, nor could they provide any documentation of investigations performed resulting from these air patrols.

c. Spectra indicated that they believed the field was incorrectly populated and that no actual observations occurred.

2. The "Date Flown" column of these records, used to indicate the date of the air patrols, was inaccurate for 6 of the 8 records
   a. The "Date Flown" column was compared with actual flight dated from the flight logs for January through April of 2013. Based on this comparison, actual flight did not occur on 3/04/2013, 3/10/2013 and 3/31/2013.
   b. The flight logs contained actual dates that the Algonquin Gas Transmission system was flown, which included LAMA-HANA and HANA-STON line segments in question.
   c. Spectra indicated the dates found in the records were likely reflecting the date that the paper work was completed rather that the intended use of the field, which was the date the actual aerial patrol occurred.

SEP Response

SEP acknowledges that in specific cases, SEP did not maintain adequate records of eight (8) records of aerial patrols as required by SOP *1-6040, Aerial Pipeline Patrol*, dated 06/08/2010.

The DOT regulations require pipeline operators to have a patrol program and prescribe the maximum interval for patrolling pipelines based on Class Location. The Class Locations for this pipeline segment ranged from Class1 to Class 3 at the time of the inspections which would have required SEP to patrol the pipeline at least once to four times each calendar year depending on the Class Location. SEP's patrol program exceeds the DOT regulations by performing weekly patrols on the pipeline regardless of Class Location.

SEP recognizes that eight (8) records that indicated "YES – W/OBSERVATION" in the "segment flown column", did not have a corresponding observation documented in the "Activity Type" column.

Following the inspection, SEP implemented an ongoing program to train aerial patrol pilots on adequately documenting their flight logs and recording observations in accordance with SEP's procedures.

SEP recognizes that the "Date Flown" column for six (6) of the eight (8) records did not match the actual flight dates from the flight logs. SEP's procedures required the aerial patrol pilots to complete the documentation of their flight logs in SAP no later than the end of the week that the patrol flight was flown. Due to software limitations and internal restrictions with SAP at the time of the inspection, aerial patrol pilots were unable to back-date the documentation of their flight log in SAP

to reflect the actual date of the flight. The dates recorded indicate the actual date that the aerial pilot entered the flight log into SAP.

SEP recognized that process control improvements were needed, and has since implemented an ongoing program to train aerial patrol pilots and raise awareness of the internal restrictions for back-dating the actual flight date.

Conclusion

With regards to Item 1, SEP respectfully requests PHMSA withdraw this item, since the 2014 cathodic protection levels were found to be compliant with the 100 mV polarization criterion.

SEP takes Items 2 and 3 very seriously, and we have already implemented corrective actions prior to receiving the Warning Letter.

Please call me at (713) 627- 6388 if you need additional information to consider this request.

Sincerely,

RW Kivela

Rick Kivela
Director, Operational Compliance

Enclosure

Spectra Energy Transmission

Test Point Inspections

TP# or MP	Location Description	Inspection Date	Structure P/S (Volts)	Structure IRF (Volts)	Coupon Depol Potential (Volts)	Technician	Inspection Remarks
ROW Code: NE:SPL:LAMA-HANA:L30A:VS-03							
13.9960	738+99 L30A 30in RTE 202 S-68 #699	5/2/2014	-0.960	-0.841	-0.502	JM	
		6/20/2015	-0.713	-0.667		JP	Low reading. need to do follow up testing
		6/30/2015	-0.930	-0.770		AMDONATO	Reeled back 20' from casing
		7/28/2015	-0.960	-0.810		AMDONATO	
		12/31/2015	-1.970	-1.150		AMDONATO	Testing with New Ground Bed. See Maintenance Tab