

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

January 20, 2017

J. Andrew Drake
Vice President, Operations & EHS
Algonquin Gas Transmission, L.L.C. (Spectra Energy Partners, LP)
5400 Westheimer Court
Houston, TX 77056

CPF 1-2017-1003W

Dear Mr. Drake:

From October 26 – 29 and November 9 – 13, 2015, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, and inspectors from the New York State Department of Public Service (NYSDPS), acting as agents of PHMSA, pursuant to Chapter 601 of 49 United States Code, inspected Algonquin Gas Transmission, L.L.C.'s (a subsidiary of Spectra Energy Partners, LP) (Spectra) New Jersey Area Unit #15181 in NJ and Lower Hudson Valley Unit #62611 in NY.

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

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 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.

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 annual survey. This

occurred at test station “738+99 L30A 30in RTE 202 S-68 #699” (TS 699) on its L30A pipeline in the South Plainfield, NJ, operating area.

Spectra SOP 2-4080, *Corrosion Control Remedial Actions*, dated 4/17/2013, states in part:

“1.0 Identification of Problem

1.1 Identify any condition that would require action to restore normal levels of corrosion control.

1.0 Scheduling

2.1 Initiate remedial measures as soon as practical after surveys, tests, or inspections indicate that corrosion protection is not adequate and the cause has been identified.

2.1.1. In all cases, remedial action should be initiated prior to the next scheduled operational inspection sequence.”

Spectra utilizes their PCS database to document the cathodic protection criterion utilized at each test station. The criterion designated for this test station was the -0.850 VDC “ON” criterion, noted in Spectra SOP 2-2200, *Application of Cathodic Protection Criteria*, dated 4/30/2014. This criterion is established to comply with 49 CFR Part 192 Appendix D (I)(A)(1). Section 2.0 of this SOP states in part:

“2.0 -0.850 VDC “ON” Acceptable Criterion

2.1 A negative (cathodic) potential of at least 850 mVDC with the CP applied. This potential is measured with respect to a saturated copper/copper sulfate reference electrode contacting the electrolyte with the protective current applied. Voltage drops other than those across the structure-to-electrolyte boundary must be considered for valid interpretation of this voltage measurement.

2.2 Voltage drops other than those across the structure-to-electrolyte boundary must be considered by:

2.2.1 Measuring or calculating the voltage drop(s); or

2.2.2 Reviewing the historical performance of CP system; or

2.2.3 Evaluating the physical/ electrical characteristics of the pipe and its environment; or

2.2.4 Determining if there is physical evidence of corrosion.”

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 pipelines 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 2014 and 2015:

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

2. §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 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.

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 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.

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. 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.

Spectra failed to follow for each pipeline, a manual of written procedures for conducting 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.

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.

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

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 dates from the flight logs for January through April of 2013. Based on this comparison, actual flights 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 the 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 than the intended use of the field, which was the date the actual aerial patrol occurred.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 items identified in this letter. Failure to do so will result in Algonquin Gas Transmission, L.L.C. 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 1-2017-1003W. 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,

Robert Burrough
Acting Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration