

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 10, 2013

Mr. Vern Meier
Vice President, Field Operations
TC Oil Pipeline Operations, Inc.
717 Texas Ave.
Houston, TX 77002

CPF 4-2013-5017W

Dear Mr. Meier:

During the months of June and July 2013, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the construction of the Keystone Gulf Coast Project.

As a result of the inspection, 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. §195.246 Installation of pipe in a ditch.

- (a) All pipe installed in a ditch must be installed in a manner that minimized the introduction of secondary stresses and the possibility of damage to the pipe**

Transcanada did not assure that its Keystone Pipeline was installed in the ditch in a manner that minimizes the possibility of damage to the pipe. During the field inspections, PHMSA witnessed and examined anomaly investigations being conducted by Transcanada due to the results of a deformation tool run. The deformation tool identified dents on the pipe that appear to be caused by secondary stresses on the pipe. Several anomaly reports state that foam pillows and rocky terrain were present at the dig sites which may attribute to the dents on the pipe. During the field inspections the PHMSA inspector verified the locations of several dents which were located in the same vicinity as the foam pillow supports.

Transcanada's TES-PROJ-LPCS-US Onshore Liquid Pipeline Construction Specification, Section 22.4 states "when foam pillows are installed, approved fill will be supplied to provide a uniform support along the underside of the pipe." Assuring a uniform fill underneath the pipe at all foam pillow locations will minimize external stresses on the pipe. In addition, Section 22.5 states that "rock, stone laden soil, or frozen material shall not be backfilled into the trench until the pipe has been surrounded by stone free soil."

In reviewing the submitted anomaly reports and PHMSA inspections it demonstrates that Transcanada is not following their Construction Specifications, Section 22.4 and 22.5. Transcanada needs to assure the backfill is free of large rocks and have sufficient support at the foam pillows to minimize the external stresses on the pipe to be in compliance with 195.246.

2. §195.202 Compliance with specifications or standards.

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Transcanada did not follow its written specification, specifically, protecting existing coating from damage due to welding. In an email dated June 7, 2013, Transcanada notified PHMSA of a non-conformance issue involving coating damage which Transcanada was in the process of investigating. There were several locations in which the contractor did not follow Transcanada's coating specifications. Specifically, weld blankets were not being utilized to protect the existing coating on the pipe to prevent weld splatter from damaging the coating. Transcanada's specification TES-WELD-PL- US Welding of Pipelines and Tie-ins, Section 8.11 states that "existing coatings on piping shall be protected to minimize damage that may result from the welding operations" which was not being followed by the contractor. After investigating 23 suspected locations, Transcanada confirmed the coating damage and repaired the coating per the specifications.

During the inspection, PHMSA observed several girth welds had coating damage due to weld splatter. There were a total of 98 identified locations excavated in which Transcanada made coating repairs. Transcanada needs to assure that specification 8.11 is followed to be in compliance with 195.202.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$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 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 4-2013-5017W**. 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,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration