



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Ave., SE
Washington, DC 20590

JUN 27 2011

Mr. David Chittick
Director, Pipeline Engineering
TransCanada Pipelines Limited
450 – 1st Street, S.W.
Calgary, Alberta, Canada T2P 5H1

Docket No. PHMSA-2010-0148

Dear Mr. Chittick:

On May 26, 2010, TransCanada Pipeline Limited (TCPL) operator of the PNGTS Pipeline Company (PNGTS) wrote to the Pipeline and Hazardous Materials Safety Administration (PHMSA) requesting a special permit to waive compliance from PHMSA's pipeline safety regulation in 49 CFR § 192.611, for one (1) segment of the PNGTS natural gas transmission pipeline system located in Coos County, New Hampshire. The regulation requires confirmation or revision of the maximum allowable operating pressure (MAOP) of a pipeline segment where the class location has changed.

PHMSA is denying your May 26, 2010, special permit application based on operator compliance issues relating to not performing weekly aerial patrols and quarterly ground patrols as required by the special permit conditions (PHMSA-RSPA-2003-15733) at another location on this pipeline. For additional information concerning PHMSA's review of your application and the basis for our decision, please see the enclosed Special Permit Analysis and Findings document. This and all other pertinent documents are available for review in Docket No. PHMSA-2010-0148 on the internet at www.Regulations.gov.

Pursuant to 49 CFR 190.341(i), reconsideration of this decision may be sought by petition to the Associate Administrator. Petitions must be received by PHMSA within 20 calendar days of the notice of the denial and contain a brief statement of the issue(s) and an explanation of why the petitioner believes the decision is not in the public interest. The Associate Administrator may grant or deny, in whole or in part, any petition for reconsideration without further proceedings.

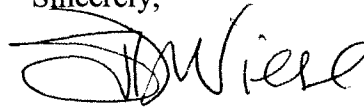
For the special permit application segment identified in the Special Permit Analysis and Findings document, TCPL must complete all pipe replacements, hydrostatic tests, or pressure reductions required to meet the MAOP requirements of § 192.611 by December 1, 2011.

Exhibit 8016

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My staff would be pleased to discuss this matter or any other regulatory matter with you. John Gale, Director of Standards and Rulemaking Division 202-366-0434, may be contacted on regulatory matters and Jeff Gilliam, Director of Engineering and Research Division 202-366-0568, may be contacted on technical matters specific to this special permit.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Wiese". The signature is written in a cursive style with a large, stylized initial "J" and "W".

Jeffrey D. Wiese
Associate Administrator for Pipeline Safety

Enclosure: Special Permit Analysis & Findings

U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

Special Permit Analysis and Findings

Special Permit Information:

Docket Number: PHMSA–2010-0148
Pipeline Operator: TransCanada Pipelines Limited, operator of PNGTS Pipeline Company
Date Requested: May 26, 2010
Code Section(s): 49 CFR § 192.611

Purpose:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) provides this information to describe the facts of the subject special permit application submitted by TransCanada Pipelines Limited (TCPL), operator of the PNGTS Pipeline Company (PNGTS), to discuss any relevant public comments received with respect to the application, to present the engineering/safety analysis of the special permit application, and to make findings regarding whether the requested special permit should be granted and if so under what conditions.

Pipeline System Affected:

This special permit request involves one (1) *special permit segment* along the PNGTS 24-inch Mainline pipeline, a natural gas transmission pipeline, located in Coos County, New Hampshire. The *special permit segment* class location along the pipeline has changed from an original Class 1 location to a Class 3¹ location.

This special permit would allow, if granted, TCPL to continue to operate the one (1) pipeline segment at its current maximum allowable operating pressure (MAOP) of 1440 pounds per square inch gauge (psig) for the PNGTS 24-inch Mainline pipeline.

¹ The Class 3 location *special permit segment* was originally a Class 1 location that was upgraded to Class 2 location in accordance with 49 CFR 192.611 (a) hydrostatic test.

This special permit application applies to the *special permit segment* defined as follows using the PNGTS 24-inch Mainline pipeline mile post (MP) or survey station (Sta.) references:

- *Special permit segment* is defined as the PNGTS 24-inch Mainline pipeline beginning at Mile Post 70.18 (Survey Station 3705+59 feet) between Valve Site 7 and Valve Site 8. The *special permit segment* extends for 114 feet along the PNGTS 24-inch Mainline pipeline and concludes at Mile Post 70.20 (Survey Station 3706+73 feet), also between Valve Site 7 and Valve Site 8. The *special permit segment* is located in Coos County, New Hampshire.

This special permit application applies to the *special permit inspection area* defined as the area that extends 220 yards on each side of the centerline along the entire length of the PNGTS 24-inch Mainline pipeline as follows:

- *Special permit inspection area* is defined as the pipeline that begins at Mile Post 45.18 (Survey Station 2385+59 feet) between Valve Site 5 and Valve Site 6 in Coos County, New Hampshire. The *special permit inspection area* extends to Mile Post 95.20 (Survey Station 5026+73 feet) between Valve Site 9 and Valve Site 10 in Oxford County, Maine. The proposed *special permit inspection area* is located in Coos County, New Hampshire and Oxford County, Maine.

The total length of the proposed *special permit inspection area* is approximately 50.02 miles and includes the *special permit segment*.

Special Permit Request

TCPL submitted an application to PHMSA on May 26, 2010, for a special permit seeking relief from the Federal pipeline safety regulations in 49 CFR 192.611(a) for one (1) segment of TCPL's PNGTS 24-inch Mainline natural gas transmission pipeline, where a change has occurred from an original Class 1 location to a Class 3 location in Coos County, New Hampshire. As requested, this special permit would allow TCPL to continue to operate the pipeline segment at its current maximum allowable operating pressure (MAOP) of 1,440 pounds per square inch gauge (psig). The Federal pipeline safety regulations in 49 CFR 192.611(a) require natural gas pipeline operators to confirm or revise the MAOP of a pipeline segment after

a change in class location. A special permit, if granted, would allow TCPL to continue to operate the special permit segment at their existing MAOP's despite a change in class location.

In its application, TCPL suggested that the *special permit segment* be included in a *special permit inspection area* (see TCPL's application for the specific details). The *special permit inspection area* on the PNGTS 24-inch Mainline pipeline, if granted, would begin approximately 25 miles upstream of the beginning of the *special permit segment* and approximately 25 miles downstream of the *special permit segment*. The *special permit inspection area* would be approximately 50.02 miles in length and would include the *special permit segment*, if granted.

Public Notice:

On March 3, 2011, PHMSA posted a notice of this special permit request in the Federal Register (76 FR 11853). The request letter, Federal Register notice, and all other pertinent documents are available for review in Docket No. PHMSA-2010-0148 in the Federal Docket Management System (FDMS) located on the internet at www.Regulations.gov.

PHMSA did not receive any public comments on this application for a class location special permit.

Analysis:

Background: On June 29, 2004, PHMSA published in the Federal Register (69 FR 38948) the criteria it uses for the consideration of class location change waivers, now being granted through a special permit. First, certain threshold requirements must be met for a pipeline section to be further evaluated for a class location change special permit. Second, the age and manufacturing process of the pipe; system design and construction; environmental, operating and maintenance histories; and integrity management program elements are evaluated as significant criteria. These significant criteria are presented in matrix form and can be reviewed in the FDMS, Docket Number PHMSA-RSPA-2004-17401. Third, such special permits will only then be granted when pipe conditions and active integrity management provides a level of safety greater than or equal to a pipe replacement or pressure reduction.

Threshold Requirements: Each of the threshold requirements published by PHMSA in the June 29, 2004, FR notice is discussed below in regards to the TCPL special permit petition for the PNGTS 24-inch Mainline.

- 1) No pipeline segments in a class location changing to Class 4 location will be considered.

This special permit request is for one (1) segment where a class location change has occurred from Class 1 to Class 3 location. TCPL has met this requirement.

- 2) No bare pipe will be considered. This TCPL *special permit segment* is coated with fusion bonded epoxy (FBE). TCPL has met this requirement.

- 3) No pipe containing wrinkle bends will be considered. There are no wrinkle bends in the *special permit segment*. TCPL has met this requirement.

- 4) No pipe segments operating above 72% of the specified minimum yield strength (SMYS) will be considered for a Class 3 special permit. The *special permit segment* operates at or below 72% SMYS. TCPL has met this requirement.

- 5) Records must be produced that show a hydrostatic test to at least 1.25 x maximum allowable operating pressure (MAOP) and 90% of SMYS. TCPL records submitted show that the section of the PNGTS 24-inch Mainline pipeline containing the *special permit segment* has been hydrostatically tested to 1807 psig, which is 1.255 x MAOP and 90.3% of SMYS. TCPL has met this requirement.

- 6) In-line inspection (ILI) must have been performed with no significant anomalies identified that indicate systemic problems. The proposed *special permit segment* was last inspected by ILI on February 29, 2008, with no immediate or one (1) year actionable anomalies found. TCPL has met this requirement and would be required to re-inspect the *special permit inspection area* and *special permit segment* with ILI tools by February 29, 2015, if the special permit is granted.

- 7) Criteria for consideration of class location change waiver, now being granted through special permit, published by PHMSA in the Federal Register (69 FR 38948), define a *waiver inspection area (special permit inspection area)* as up to 25 miles of pipe either side of the *waiver segment (special permit segment)*. The *special permit inspection area* must be inspected according to TCPL's integrity management program and periodically inspected with an in-line inspection technique. The *special permit inspection area* is approximately 50.02 miles long. This special permit, if granted, would be contingent upon TCPL's

incorporation of the *special permit segment* in its written integrity management program as a “covered segment” in a “high consequence area” (HCA) in accordance with 49 CFR § 192.903.

The *special permit segment* meets the threshold requirements.

Criteria Matrix: The original and supplemental data submitted by TCPL for the *special permit segment* have been compared to the class location change special permit criteria matrix. The *special permit segment* falls in the probable acceptance column of the criteria matrix for all criteria except for:

- Possible acceptance – pipeline depth of cover.
- Requires substantial justification – none.

The data findings above fall within the “possible acceptance” columns of the criteria matrix and will require some remediation measures as described below:

- Depth of Cover: TCPL has not conducted a pipeline depth of cover survey, and would be required, if the special permit is granted, to conduct a depth of cover survey in the *special permit segment* and implement remediation measures where depth of cover is reduced.

Operational Integrity Compliance:

PHMSA reviewed the existing special permit (PHMSA-RSPA-2003-15733) to ensure that TCPL is following the conditions of this existing special permit on the PNGTS 24-inch Mainline pipeline. PHMSA found that TCPL has not followed all conditions in this special permit through-out the life of the special permit as follows:

Special Permit Condition 5: Findings, remediation, and documentation – Perform weekly aerial patrols and quarterly ground patrols over the entire 143.8 miles of the 24-inch pipeline. The ground patrols must include leak surveys on all Class 3 portions of the pipeline using appropriate instrumented leak detection equipment.

PHMSA review of compliance documents:

TCPL/PNGTS did not meet the special permit conditions for performing weekly aerial patrols and quarterly ground patrols.

- TCPL/PNGTS stopped conducting weekly aerial patrols in July, 2006, through the present time. Bi-weekly aerial patrols were performed from

2008 through the present time. PHMSA was not notified of this special permit modification.

- TCPL/PNGTS performed quarterly ground patrols until the 4th-quarter of 2004, and annual ground patrols were conducted in 2005, 2006, and 2007. Quarterly ground patrols were resumed in 2008. PHMSA was not notified of this special permit modification.

PHMSA finds that TCPL/PNGTS lack of diligence in following all of the conditions of the existing special permit to be inconsistent with pipeline safety.

Compliance History – 2004 through 2011:

A review of PHMSA enforcement actions of TCPL operations on the PNGTS pipeline from August 3, 2004, through April 28, 2011, shows the following closed enforcement actions against TCPL during the time interval they have owned and operated PNGTS (OPID 31145).

- Letters - of Concern or Warning - 1 matters closed
- Notices – of Amendment or of Probable Violation – 3 matters closed
- Collected Civil Penalties - none collected

This enforcement history reveals a few compliance issues, including pipeline maintenance issues. TCPL has owned and operated PNGTS pipeline since August 3, 2004.

Findings:

Based on the information submitted by TCPL and PHMSA’s analysis of the technical, operational, and existing special permit non-compliance issues on the PNGTS pipeline, PHMSA finds that granting this special permit to TCPL to operate this *special permit segment* of the PNGTS 24-inch Mainline pipeline, a natural gas transmission pipeline, at the current MAOP where a change in class location has occurred from an original Class 1 location to a Class 3 location is inconsistent with pipeline safety.

Completed in Washington DC on: JUN 27 2011

Prepared by: Engineering and Research Division