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October 5, 2010

Filed via Fax

National Energy Board  
444 Seventh Avenue S.W.  
Calgary, Alberta  
T2P 0X8

**Attention: Ms. Anne-Marie Erickson, Secretary of the Board**

Dear Ms. Erickson:

**Re: TransCanada Keystone Pipeline GP Ltd. (“Keystone”)  
Cushing Expansion Project (“Project”)  
Order XO-T241-07-2008 (“XO-T241-07-2008”)  
Leave to Open Application (“LTO Application”) for Pump Station 06 (“PS-06”) at  
Lakesend, Alberta and LTO Application for Pump Station 08 (“PS-08”) at Oyen,  
Alberta  
NEB File: OF-Fac-Oil-T241-2007-01 01**

Further to Keystone’s September 17, 2010 letter to the National Energy Board (“Board” ), Keystone provides the following explanation with regard to its request to withdraw the LTO Applications for PS-06 and PS-08 from consideration by the Board. On September 10, 2010, Keystone filed LTO Applications for PS-06 (NEB Filing ID: A26226) and PS-08 (NEB Filing ID: A26228) as part of its Board requirements to commence operations on the Project authorized under Order XO-T241-07-2008. After filing the LTO Applications, Keystone became aware of a verification issue relating to the pressure testing data and materials (“Data”) that were filed with those applications.

More specifically, the Leave to Open Declarations (“Declaration”) that are included in Keystone’s LTO Applications generally state that, “This Declaration document has been prepared pursuant to *Guide T* of the *NEB Filing Manual...*”. In turn, *Guide T* (also set out under *Onshore Pipeline Regulations, 1999*, section 25) directs that applicants are to confirm that pressure testing was performed under the direct supervision of a company representative. On September 16, 2010, Keystone confirmed that a company representative was, in fact, not present during off-site quality assurance hydrostatic testing relating to fabrication and welding of pipe components that were to be installed at PS-06 and PS-08. The company representative inspector (“CR”) that was responsible for oversight and verification of this testing, which is commonly referred to as “shop testing”, had mistakenly delegated his responsibilities to a Certified Engineering Technologist (“CET”) and qualified inspector who was not, technically, a

representative of Keystone. Keystone's primary contractor for constructing pump unit additions in the Project is Whaler Industrial Contracting Inc. ("Whaler") and their fabrication sub-contractor responsible for producing pipe components for PS-06 and PS-08 is Rambler Fabrication Inc. ("Rambler"). The CR had requested that the CET, an employee of Whaler, verify the fabrication and hydrostatic testing of the components that were being constructed by Rambler while he was attending to some other of his Project responsibilities. The Whaler employee to whom the CR delegated inspection responsibility, in addition to being a CET, is an API Pressure Vessel Inspector as well as a Certified Welding Inspector. Keystone informs the Board that, prior to commencing construction of the Project, all Keystone inspectors were given thorough training on Keystone inspection procedures and were specifically instructed to follow Keystone's Hydrostatic Test Specification 017617-4000-46ES-0005 ("Specification"). Under the Specification, section 3.2, "All testing operations shall be performed under the direct supervision of the TCPL's representative or qualified inspector." It is Keystone's understanding that the CR believed that the oversight and verification of the hydrostatic shop testing had to be undertaken by a qualified inspector but was not aware that the overseer must also be a company representative. Unfortunately, the Project Manager for PS-06 and PS-08 was not aware of this oversight when he signed the Declaration for the LTO Applications, which were originally filed with the Board on September 10, 2010.

Immediately following the discovery of this issue, Keystone took steps to rectify the situation, requesting the withdrawal of the LTO Applications from Board consideration on September 17, 2010, and reviewed its instruction procedures for its inspectors. Most importantly, Keystone informed the Board that it would be undertaking new hydrostatic testing at PS-06 and PS-08 for all components that were not tested in the presence of a Keystone company representative.

Subsequent to discovery of this issue, Keystone has instructed all of its CRs that the Specification must align with the *Guide T* requirement for a company representative to be present for all testing. The Specification means that a company representative or *company representative that is a qualified inspector* must be present for all hydrostatic testing. Additionally, Keystone has confirmed that all CRs responsible for overseeing hydrostatic testing relating to the construction of any facilities authorized by XO-T241-07-2008, personally witnessed the hydrostatic testing carried out either in the field or at fabrication shops. This hydrostatic testing includes all of the new pump stations or additional pump units for stations previously authorized. Keystone has further confirmed that CRs will be present for any future hydrostatic testing that will be undertaken for new construction authorized under XO-T241-07-2008.

Keystone trusts that the above explanation and go-forward strategy addresses any outstanding matters concerning its request to withdraw its LTO Applications for PS-06 and PS-08. Please note that, as indicated previously, new pressure testing for PS-06 and PS-08 for affected piping has been completed and will be re-filed with the LTO Applications for those facilities under section 47 of the *National Energy Board Act*, R.S.C. 1985, c-N-7 and subject to the conditions prescribed by XO-T241-07-2008. Supporting Data for the LTO Applications will be compliant with *Guide T* of the Board's *Filing Manual*. The LTO Applications for PS-06 and PS-08 will be filed separate from this submission and no later than October 8, 2010.

October 5, 2010  
Ms. A. Erickson  
Page 3 of 3

Should the Board have any additional questions, please contact Kevin Thrasher at (403) 920-7838 ([kevin\\_thrasher@transcanada.com](mailto:kevin_thrasher@transcanada.com)). Alternatively, you may contact Mark Manning at (403) 920-6098 ([mark\\_manning@transcanada.com](mailto:mark_manning@transcanada.com)).

Yours truly,  
**TransCanada Keystone Pipeline GP Ltd.**

Kevin Thrasher  
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