



OF-Surv-FIns-W102-2014 01
9 March 2016

Mr. Mark Fiedorek
President
Spectra Energy Transmission West
Suite 2600, 425-1 Street S.W.
Calgary, AB T2P 3L8
Facsimile [REDACTED]

Dear Mr. Fiedorek:

**Westcoast Energy Inc. carrying on business as Spectra Energy Transmission
(Westcoast)
Safety Order SG-W102-002-2015 (Safety Order)**

On 14 July 2015, the Board (NEB or Board) issued the Safety Order to address a number of concerns with respect to the operations at Westcoast's processing plants and facilities.

In accordance with the terms of the Safety Order, Westcoast submitted the following documents for approval of the Board on 14 August 2015, 30 September 2015 and 30 October 2015, respectively:

- Staffing Reports for all Westcoast processing plants and facilities with the exception of the McMahon Gas Plant (Condition #2 of the Safety Order);
- A report related to Westcoast's management system and corrective action plan (Report) (Condition #1 of the Safety Order); and
- Staffing Report for the McMahon Gas Plant (Condition #3 of the Safety Order).

On 22 December 2015, Westcoast filed additional information with the Board in response to an NEB Information Request (IR). The IR response included more detailed and supplemental information related to the Report.

The Board has reviewed the Staffing Reports filed pursuant to Conditions #2 and #3 of the Safety Order and has not identified any issues; therefore, the Board is of the view Westcoast has satisfied these Conditions.

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With respect to Condition #1, the Board has reviewed the information filed by Westcoast and is of the view that Westcoast has satisfied Condition #1 c, d and e of the Safety Order. However, Condition #1 a and b remain outstanding, since the information submitted by Westcoast was insufficient to demonstrate, through a root cause analysis, where the breakdowns or failures occurred in the implementation of Westcoast's management system or how and by what date Westcoast will correct these breakdowns or failures. The Board continues to require confirmation that Westcoast has addressed links to management system elements within its proposed corrective actions. Accordingly, the Board directs Westcoast to complete and file with the Board, the attached template correlating cited non-compliances with immediate and basic root causes and management system element deficiencies by 22 April 2016.

The Board has asked NEB technical staff to be available to meet with Westcoast to answer any questions concerning the completion of the attached template. To schedule this meeting, please contact Ryan Wells, Compliance Program Manager, Safety Management at 403-909-4655.

Yours truly,

Original signed by

Sheri Young
Secretary of the Board

cc: Mr. Greg Ebel, Chairman, President and Chief Executive Officer,
Facsimile [REDACTED]
Ms. Michele Harradence, Vice President, Operations & EHS, Facsimile [REDACTED]
[REDACTED], AGC and Director, Regulatory Compliance & Audit, Facsimile
[REDACTED]

Attachments

NNC Corrective Action Plan (CAP) Template Guidance - for Westcoast
Safety Order SG-W102-002-2015 issued 14 July 2015 (Safety Order)
File OF-Surv-Fins-W102-2014 01

As per the attached cover letter, the Board requires more detailed information regarding the causes of the Notices of Non-compliance (NNCs) related to the Safety Order and that Westcoast provide additional details regarding its proposed CAP. The information requested will allow the Board to determine whether Westcoast has fully analyzed the causes and deficiencies of the NNCs and ensure that Westcoast develops and implements Corrective and Preventive Actions (CAPA) within its proposed CAP in a timely manner that address the identified NNCs. The template outlines the format and type of information required by the Board to complete its analysis of Westcoast's CAP.

In order to facilitate review, please aggregate the non-compliances where appropriate.

Please note that all commitments to actions and deliverables made herein are subject to approval by the Board and therefore any alterations or deviations from timelines and/ or deliverables must also be approved by the Board prior to implementation of the variances.

The template consists of three worksheets:

1. NNC Details;
2. Analysis; and
3. CAP Schedule.

Sheet 1 NNC Details:

- **NNC#** - The file number(s) of the NEB issued NNCs being addressed (The company is encouraged to aggregate the NNCs where the NNCs represent repeat or identical issues with identical causes)
- **Location** – The location(s) where the non-compliance was identified.
- **Finding/ Description of Deficiency** – The entire description of the deficiency or non-compliance as written in the NNC.

Related Legal Requirement(s)- As identified in the NNC and as identified as part of the issue analysis by the company.

- **Affected Program Owner** – Include the program and position title of the person that is accountable for the resolution of the NNC (for example, Vice-President Operations). If the issues relate to the OPR, the expectation as set out in the OPR is that the accountable person would be the Accountable Officer. If the issues relate to other

requirements, the expectation is that the Affected Program Owner would conform to the requirements of the Accountable Officer identified in subsection 6.2(3) of the OPR.

Sheet 2- Analysis of the NNC:

- **Direct / Immediate Cause(s):** All identified unsafe acts or conditions that resulted in or could have resulted in an accident. List all that apply. (This requirement mirrors the NEB Event Reporting System requirements.)
- **Root or Basic Cause(s):** The most fundamental cause that can be reasonably corrected to prevent recurrence of the accident, finding or non-compliance. List all that apply. (This requirement mirrors the NEB Event Reporting System requirements.)
- **Requirements set out in Schedule A to the Safety Order:**
After completing the analysis of the non-compliance, identify the process(es) or requirement(s) as listed in Schedule A to the Safety Order, that have been identified as deficient. This should be undertaken by systematically examining each Schedule A requirement and identifying the specific deficiencies within each. This may result in more than one deficiency in any given Schedule requirement. In analyzing the deficiencies, consideration must be given to the “linkages” between management system elements. Therefore, an NNC may have multiple Schedule A causes. For example, inadequate documented procedures may be as a result of deficient risk analysis, risk control development, document control and internal auditing processes.
- **Corrective Action:** Describe actions proposed or taken for each NNC at the time to prevent the specific deficiency from resulting in immediate harm at the location described.
- **Preventive Action:** Describe actions proposed or taken as a long term solution to prevent recurrence of the deficiency and /or multiple instances. When identifying the Preventive Actions required to address Schedule A requirements, consideration must be given to the “linkages” between management system elements. Therefore, an NNC may have multiple Schedule A actions. For example, implementing an updated risk analysis process may result in actions required in multiple Schedule A areas such as management of change, document control, document control, inspection and internal audit processes.
- **Description:** how the proposed corrective and preventative actions address the non-compliance noted or deficiency identified. Describe how the CAP will prevent recurrence at the site identified and measures in place to prevent this deficiency at another Westcoast site.

- **Summary of the CAPA:** Provide the conclusions of Westcoast's analysis by describing the proposed Desired End Result (DER) associated with each corrective or preventive Action proposed.

Sheet 3 – CAP milestones:

- **Quarterly Deliverables:** Describe the significant targets within the CAP development and implementation that will be met in order to demonstrate and ensure timely implementation of the CAP. Westcoast should justify the stages and schedules for milestones and include any anticipated outputs.
- **Date of filing (dd-mm-year):** For each deliverable, Westcoast must file documentation to demonstrate its progress in CAP development/implementation.
- **Target date for CAP completion:** dd-mm-year
- **Rationale for Schedule:** Explain and justify the proposed CAP schedule and completion dates.

Notice of Non-Compliance Details

Attachment to Board Letter dated 9 March 2016

NNC#	Location	Finding/ Description of Deficiency	Related Legal Reference(s)	Affected Program Owner
3	Gas Plant ABC	On a routine Integrity Program site inspection of Gas Plant ABC, conducted 15 March 2015, NEB inspectors noted a condensate storage tank that appeared to be extensively rusted and asked the company to provide records of the last inspections as per API 653 for the Above Ground Storage Tank (AGST) #16-321. Company XYZ representatives on site were unable to provide the inspection records and were unable to ascertain whether the tank had ever been inspected. NEB Inspection Officer #1993 issued a Notice of Non-Compliance for this condensate storage tank.	OPR Section 40, CSA Z662-15, Clause 10.9.2.1, API 653 Section 6 - Inspection.	The Company XYZ representative that will be responsible for resolution of this NNC will be the Superintendent for Gas Plant ABC.
6	Meter Station #2	NEB inspectors were at Company XYZ's Meter Station #2 on 3 April 2015 to witness an excavation and repair of the below ground meter station piping. NEB inspectors noted that Company XYZ had a slop tank of approximately 10 cubic meters on site. NEB inspectors asked Company XYZ representatives to inquire with the Company Integrity Department as to the most recent inspections (monthly, external and internal, as appropriate). Company representatives were unable to demonstrate that the above ground storage tank had been inspected as per the regulatory requirements. NEB Inspection Officer #1993 issued a Notice of Non-Compliance for this slop tank.	OPR Section 40, CSA Z662-15, Clause 10.9.2.1, API 653 Section 6 - Inspection.	The Company XYZ representative that will be responsible for resolution of this NNC will be the Area Director of Operations for the Northern Region.
9	Compressor Station #3	NEB inspectors were at Company XYZ's Compressor Station #3 on 15 April 2015 to conduct a routine inspection of the facility. NEB inspectors noted an above ground storage tank (AGST) on site, located on a raised earthen pad, that appeared to be excessively tilted. On returning to the area office, company representatives were able to provide the most recent API 653 external and internal inspection records, however, these records were not signed by an API 653 Authorized Inspector. NEB Inspection Officer #1993 issued a Notice of Non-Compliance for this AGST.	OPR Section 40, CSA Z662-15, Clause 10.9.2.1, API 653, Appendix D.	The Company XYZ representative that will be responsible for resolution of this NNC will be the Area Director of Operations for the Northern Region.
12	Gas Plant XYZ	On a routine Integrity Program site inspection of Gas Plant XYZ, conducted 12 July 2015, NEB inspectors conducted a walk around of an AGST and noted that this tank had four external cathodic protection (CP) test stations and an impressed current CP rectifier. On closer inspection of the CP components, NEB inspectors noted that the rectifier was not operational at the time and that two of the test stations were in a state of disrepair (loose or disconnected wires). Since it was not evident that the CP system was operational and that routine testing of the CP pipe to soil potentials may not have been conducted, NEB Inspection Officer #1993 issued a Notice of Non-Compliance for this AGST.	OPR Section 40, CSA Z662-15, Clause 10.9.2.1, API 651.	The Company XYZ representative that will be responsible for resolution of this NNC will be the Superintendent for Gas Plant XYZ.

NNC#	Location	Immediate/ Direct Cause(s)	Basic / Root Cause(s)	Related Schedule "A" requirement(s)	Corrective Action(s)	Preventative Action(s)	Describe how the proposed CAPAs address the deficiency(ies)	Summary of CAPA(s) / Desired End Result (DER)
#1	Gas Plant ABC	Substandard Acts: Failure to follow procedures or practices.	Inadequate inspection and/or monitoring.	Element v.: Establishing and implementing a process for inspecting and monitoring company XYZ's activities and facilities and for taking corrective and preventive actions if deficiencies are identified.	Company XYZ will review all of its inspection records for the identified condensate tank at Gas Plant ABC to ascertain whether inspections had been conducted as per API 653. If the records indicate that the appropriate inspections have been conducted, Company XYZ will provide the complete records to the NEB to verify compliance with API 653. If the records indicate that the appropriate inspections have not been conducted, then Company XYZ will immediately schedule the required inspections and provide evidence to the NEB.	Company XYZ will review the inventory of all of its AGSTs for Gas Plants, meter stations and compressor stations and ensure that it has a complete and accurate compilation along with the inspection histories. Company XYZ will examine the inspection data and ensure that every AGST is in compliance with the requirements of API 653. If any AGSTs are found to be deficient in the required inspections, Company XYZ will immediately schedule the inspections and ensure that they are carried out in an expedient manner.	The Corrective Action will either serve to locate the records of the API 653 inspections, if they exist or undertake to have the inspections conducted if the tank had not been inspected previously. The Preventative Action will ensure that the company has a complete, accurate and up to date inventory of its AGSTs along with the records of past inspections. This will ensure that all AGSTs within the asset inventory of Company XYZ have been, or will be inspected per API 653 and be in compliance with the legal requirements.	Obtain records of inspection if done. Perform inspections if required. Complete an inventory of all AGSTs. Ensure all AGSTs have been or will be inspected as per the regulations. The overall DER is to ensure that all AGSTs in the asset inventory for the Company meet the regulatory requirements in terms of being inspected and the records exist as evidence of the inspections.
		Substandard Conditions: Inadequate information or data.		Element q.: Establishing and implementing a process for generating, retaining records that document the implementation of the management system and for providing access to those who require them in the course of their duties.	Company XYZ will critically review its records management system as it pertains to the generation and retention of records for its AGST inspections as per API 653. Company XYZ will identify all deficiencies and implement changes to its records management system as are required.	Company XYZ will, by having a records management system that is complete, accurate and up to date, ensure that it has all records of the inspections that are required by API 653.	Ensuring that Company XYZ has a records management system that includes all relevant and necessary records of inspection, monitoring and maintenance of its AGSTs as per API 653 will prevent similar occurrences of this non-compliance for all assets.	The DER is to have a complete, accurate and fully functional records management system as it applies to all of the Company's AGSTs.
			Inadequate awareness and communication of safety / health / regulations or guidelines.	Element h.: Establishing and implementing a process for identifying and monitoring compliance with all legal requirements that are applicable to Company XYZ in matters of safety, security and protection of the environment.	Company XYZ will critically review its process for identifying the legal requirements with respect to the inspection, monitoring and maintenance of its AGSTs as required by OPR 99, CSA Z662-15 and API 653.	Company XYZ will ensure that all of the applicable legal requirements and industry standards have been incorporated into its Operations and Maintenance Manual, Standard Operating Practices and any other relevant Work Scheduling processes for its AGST inspections as per API 653.	Ensuring that Company XYZ has identified all applicable legal requirements and industry standards as well as ensuring that these requirements have been included in its operating practices and procedures will prevent similar occurrences of this non-compliance for all of its AGST assets.	The DER is to have identified all of the legal requirements and industry standards for AGSTs and to have incorporated these requirements into the Company's work processes and procedures.
			Inadequate communication of standards or regulations.	Element n.: Establishing and implementing a process for internal and external communication of information relating to safety, security and protection of the environment.	Company XYZ will critically review its communication processes and procedures as they apply to ensuring that its employees and contractors are aware of and understand the legal requirements with respect to the inspection, monitoring and maintenance of its AGSTs.	Company XYZ will identify gaps in its communication processes and procedures that have contributed to the lack of awareness and understanding of the legal requirements of the inspection requirements of its AGSTs and implement changes to address these gaps.	Company XYZ will have a fully developed and implemented communication process and this process will have been fully applied to all aspects of the inspection, monitoring and maintenance of the AGSTs.	The DER is to have a developed, established and implemented communications process as it relates to all requirements of the Company's AGSTs.

