



Administrative Monetary Penalty / Sanction administrative pécuniaire
NOTICE OF VIOLATION / AVIS D'INFRACTION

REFERENCE NUMBER / N° DE RÉFÉRENCE: AMP-002-2018

Information for Pipeline Company / Third Party / Individual:

Information pour la société pipelinière / une tierce partie / un particulier :

| | | |
|-------------------------|---------------------------------------|--|
| Name / Nom : | Trans-Northern Pipelines Inc. | TOTAL PENALTY AMOUNT / MONTANT TOTAL DES PÉNALITÉS: |
| Contact / Contactez: | W. Alan Sawyer, Jr. | |
| Title / Titre: | President and Chief Executive Officer | 28,000 |
| Address / Adresse: | 310 - 45 Vogell Road | Date of Notice / Date de l'Avis: |
| | | 10 July, 2018 |
| | | Regulatory Instrument # / N° de l'instrument réglementaire: |
| | | AO-001-SO-T217-03-2010 |
| City / Ville: | Richmond Hill | |
| Province / State / État | Ontario L4B 3P6 | |
| Telephone / Téléphone: | | |
| Fax / Télécopieur: | | |
| E-mail / Courriel: | | |

On / Le Aug 31, 2017

Trans-Northern Pipelines Inc.

was observed to be in violation of a NEB regulatory requirement. This violation is subject to an administrative monetary penalty, as outlined below.

a commis une infraction aux exigences réglementaires de l'ONÉ, sujet à la sanction administrative pécuniaire ci-dessous.

| 1. VIOLATION DETAILS / RENSEIGNEMENTS SUR L'INFRACTION | |
|---|-------------------------|
| Date of Violation / Date d'infraction : | |
| (from / du): Aug 31, 2017 | (to / au): Aug 31, 2017 |
| Total Number of Days / Nombre total de jours: 1 | |
| Has compliance been achieved? / La situation est-elle rétablie? <input checked="" type="radio"/> Yes / Oui <input type="radio"/> No / Non If no, a subsequent NoV may be issued. Si non, un autre avis d'infraction pourrait être envoyé. | |
| Location of Violation / Lieu de l'infraction: e.g. Facility/plant/head office or nearest geographical point or lat/long / ie: usine/siege central/lieu géographique Montreal Feeder System | |
| Short Form Description of Violation / Description abrégée de l'infraction (Refer to Schedule 1 of the AMP Regulations) / (Voir l'annexe 1 du Règlement) | |
| Provision and Short-form Description / Disposition et Sommaire | |
| Choose an item / Choisir | |
| Choose an item / Choisir | |

| | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <i>Contravention of an Order or Decision made under the Act (ss. 2(2) of the AMP Regulations) / Dérogation à une ordonnance ou à une décision rendue sous le régime de la Loi (paragraphe 2(2) du Règlement sur les sanctions administratives pécuniaires)</i> AO-001-SO-T217-03-2010 |
| <input type="checkbox"/> | <i>Failure to comply with a term or condition of any certificate, licence, permit, leave or exemption granted under the Act (ss. 2(3) of the AMP Regulations) / Manquement à une condition d'un certificat, d'une licence, d'un permis, d'une autorisation ou d'une exemption accordé sous le régime de la Loi (paragraphe 2(3) du Règlement sur les sanctions administratives pécuniaires)</i> |

| 2. RELEVANT FACTS / FAITS SAILLANTS |
|---|
| <p><i>Briefly describe reasonable grounds to believe a violation has occurred / Décrire brièvement les motifs raisonnables de croire qu'une infraction a été commise</i></p> <p>Trans-Northern Pipelines Inc. (TNPI) operates several pipelines which are regulated by the National Energy Board (NEB), including the Montreal Feeder System (MFS).</p> <p>On 31 August 2017, TNPI reported through the NEB's Online Event Reporting System (OERS) that there had been an overpressure incident in excess of 113% on the MFS that occurred on 23 October 2016. This overpressure incident was discovered on 30 August 2017. The NEB restricted operating pressure (ROP) of the line was 3475 kPa while the overpressure value reached 3909 kPa, which is about 12.5% higher than the permitted ROP value. (INC2017-127)</p> <p>Background:</p> <p>1 - TNPI owns and operates the MFS, a 10" pipeline that was originally constructed in 1952 and was subsequently relocated to its current location in 1995 under NEB Order XO-T2-8-95.</p> <p>2 - In 2009 and 2010, the Board issued Safety Orders SG-T217-04-2009, SG-T217-01-2010 and SO-T217-03-2010 to TNPI to address the causes of a number of pipeline releases and overpressure incidents on TNPI's pipeline system (including the MFS). These Safety Orders directed TNPI to take specific safety measures and reduce the maximum operating pressure (MOP) of its pipeline system.</p> <p>3 - TNPI reported eleven overpressure incidents on its pipeline system after SO-T217-03-2010 was issued in October 2010. Due to the</p> |

recurrence of overpressure incidents by TNPI, and the general operation of its pipeline system beyond design limits, the Board rescinded Safety Orders SG-T217-04-2009, SG-T217-01-2010 and SO-T217-03-2010 and replaced them with Amending Safety Order (ASO) AO-001-SO-T217-03-2010 on 20 September, 2016 (September 2016 ASO), pursuant to paragraph 12(1)(b), subsection 21(2) and subsection 48(1.1) of the National Energy Board Act.

4 - The September 2016 ASO imposes certain safety measures and restrictions on the maximum operating pressure of several pipelines operated by TNPI, including the MFS. More specifically, for pipelines listed in Schedule B, Condition 2 of the September 2016 ASO states: "TNPI shall immediately restrict their operating pressure by 30% of the authorized MOP". The MFS is listed on Schedule B of the September 2016 ASO.

5 - The initial authorized MOP for the MFS is 4,964 kPa. Based on the pressure restrictions imposed through the September 2016 ASO, TNPI was required to operate the MFS at an ROP of 3,475 kPa.

6 - The conditions attached to the September 2016 ASO further required TNPI to, among other things:

(a) report on the new ROP for each section of the pipeline, listed in Schedule B (condition 2.b);

(b) review, analyze and report on historical overpressure events to identify contributing factors and corrective and preventative measures (conditions 5.a and 5.c)

7 - On 24 October, 2016, the NEB issued ASO AO-002-SO-T217-03-2010 (October 2016 ASO), following a request by TNPI to make certain minor corrections to Schedule B of the September 2016 ASO. In its letter of 24 October, 2016, attaching the October 2016 ASO (which was virtually unchanged from the September 2016 ASO), the NEB confirmed, among other things, that the MFS was appropriately placed on Schedule B of the ASOs. The pipelines listed on Schedule B of the October 2016 ASO, were to continue to operate under a 30% pressure restriction.

8 - By letter dated 18 November 2016 to the NEB, TNPI submitted certain information in compliance with condition 2.b. of the October 2016 ASO, including the Overpressure Protection System Set Points for the MFS. TNPI reported that the ROP for the MFS was 3,474 kPa.

9 - On 30 December 2016, TNPI filed certain information in compliance with condition 5.a and 5.c of the ASO. The information filed included: (1) a DNV GL report entitled Review of Overpressure Incidents in compliance with condition 5.a; and (2) TNPI condition 5.c Report - Prevention Measures and Timelines. The NEB's review of this information caused the NEB to issue an information request (IR) to TNPI on 3 March 2017. Through this IR, the Board requested that TNPI provide additional clarifications related to historical overpressure incidents.

10 - TNPI filed responses to the IRs on 31 March 2017. The NEB reviewed the responses and requested additional clarification through a conference call on 20 April 2017. TNPI provided the additional clarification in its follow-up correspondence dated 5 May 2017. Additional information was provided by TNPI on 8 May 2017. The NEB's review of the information caused the NEB to issue another IR on 22 June 2017 requesting TNPI to provide an update to condition 5.a including the unreported overpressure incidents. The responses were submitted to the Board on 12 September 2017.

11 - On 31 August 2017, TNPI reported through the NEB's OERS that there had been an overpressure incident in excess of 113% on the MFS that occurred on 23 October 2016. This overpressure incident was discovered on 30 August 2017. The ROP of the line as set out in the September 2016 ASO (and October 2016 ASO) was 3475 kPa while the overpressure value reached 3909 kPa, which is about 12.5% higher than the permitted ROP value. (INC2017-127).

12 - In addition to the incident that occurred on 23 October, 2016, noted above, TNPI further informed the NEB of several other unreported overpressure events on the MFS that were discovered on 30 August, 2017, and reported on 31 August 2017 through the NEB's OERS (INC2017-128 and 129), namely:

(a) an overpressure incident in excess of 109% on the MFS that occurred on 9 November 2016 (in the investigation report dated 7 December 2017, TNPI stated that this overpressure event occurred on 7 November, 2016). The overpressure value reached 3799 kPa, which is about 9% higher than the permitted ROP value. (INC2017-128)

(b) an overpressure in excess of 102% on the MFS that occurred on 8 November 2016 (in the investigation report dated 7 December 2017, TNPI stated that this overpressure event occurred on 9 November, 2016). The overpressure value reached 3551 kPa, which is about 2% higher than the permitted ROP value. (INC2017-129)

13 - These reportings were followed up with a letter from TNPI's former President and CEO, John Ferris, dated 2 September 2017 which provided the NEB with additional details of these unreported incidents relating to operation beyond design limits (ie: overpressures) for the MFS.

14 - On 7 September 2017, TNPI reported another overpressure incident through the NEB's OERS in excess of 105% on the MFS (in the investigation report dated 7 December 2017, TNPI indicated that the overpressure was at 103%). Although the overpressure incident occurred on 15 November 2016, it was discovered and reported on 7 September 2017. In that case, the overpressure value reached 3654 Kpa, which is about 5% higher than the permitted ROP value. (INC2017-135)

15 – On 7 December 2017, TNPI completed their "Investigation Report of the Unreported Overpressure Incidents on the Montreal Feeder System events in 2015 and 2016". Root causes and corrective actions were identified and have begun to be implemented in an effort to prevent reoccurrence of, among other things, overpressure incidents on the MFS.

Conclusion:

TNPI is required to operate the MFS, and all pipelines regulated by the NEB, in accordance with the National Energy Board Act, the related regulations, and all orders, authorizations and other directions issued by the Board. Based on the above facts, this administrative monetary penalty is being issued to TNPI with respect to the reported incident INC2017-127 (overpressure event - 23 October 2016), due to the contravention by TNPI of condition 2 of ASO AO-001-SO-T217-03-2010 dated 20 September 2016.

3. PENALTY CALCULATION / CALCUL DES SANCTIONS

(a) BASELINE PENALTY (Gravity Value = 0) / PÉNALITÉ DE BASE (côte de gravité = 0)

| Category / Catégorie | (Type A) | Individual / Personne physique | Any Other Person / Autre Personne |
|----------------------|----------|-----------------------------------|--|
| | | <input type="checkbox"/> \$1,365 | <input type="checkbox"/> \$5,025 |
| | (Type B) | <input type="checkbox"/> \$10,000 | <input checked="" type="checkbox"/> \$40,000 |

[Refer to [AMP Regulations](#), Subsection 4(1) / Voir le [Règlement](#), paragraphe 4(1)]

(b) APPLICABLE GRAVITY VALUE / COTE DE GRAVITE GLOBALE APPLICABLES

[Refer to [AMP Regulations](#), Subsection 4(2) / Voir le [Règlement](#), paragraphe 4(2)]

| | Mitigating / Atténuer | | | Aggravating / Aggravantes | | |
|---|--------------------------|-------------------------------------|-------------------------------------|------------------------------|--------------------------|----|
| | -2 | -1 | 0 | +1 | +2 | +3 |
| <input checked="" type="checkbox"/> Other violations in previous seven (7) years / Autres infractions au cours des sept (7) années précédentes | -- | -- | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |
| N/A | | | | | | |
| <input checked="" type="checkbox"/> Any competitive or economic benefit from violation / Avantages concurrentiels ou économiques découlant de l'infraction | -- | -- | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |
| N/A | | | | | | |
| <input checked="" type="checkbox"/> Reasonable efforts to mitigate / reverse violation's effect / Efforts raisonnables déployés pour atténuer ou annuler les effets de l'infraction | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |
| N/A | | | | | | |
| <input checked="" type="checkbox"/> Negligence on part of person who committed violation / Négligence de la part de la personne ayant commis l'infraction | -- | -- | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |
| N/A | | | | | | |
| <input checked="" type="checkbox"/> Reasonable assistance to Board with respect to violation / Collaboration raisonnable avec l'Office en ce qui a trait à l'infraction | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |

Since issuance of the September 2016 ASO and the discovery of the most recent incidents on the MFS on 31 August, 2017, TNPI has been cooperative and responsive in meeting with Board staff and responding to information requests to address the overpressure events on the

| | | | | | | | |
|--|--|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|
| TNPI System. TNPI has advised that it will continue to work with NEB staff to implement the recommendations and corrective actions set out in the Engineering Assessment report dated 29 September, 2017. | | | | | | | |
| <input checked="" type="checkbox"/> | Promptly reported violation to Board / Infraction signalée sans délai à l'Office | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | -- |
| Following issuance of the September 2016 ASO, TNPI established a Pressure Settings Table with respect to affected parts of its pipeline, including the MFS. This table (and any related company guidance) did not provide accurate information or instructions to staff regarding overpressure reporting requirements. As a result, TNPI became aware of the overpressure events on the MFS well before it reported them in August 2017 or took any steps to address these issues. It was only as a result of repeated Board intervention, including a series of information requests, that TNPI took steps to address its inadvertence in reporting. The overpressure events occurred in 2016, yet were not reported until almost a year later. | | | | | | | |
| <input checked="" type="checkbox"/> | Steps taken to prevent reoccurrence of violation / Mesures prises pour prévenir les récidives | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | -- |
| TNPI commissioned a multi-disciplinary investigation from September to November 2017, to identify the root causes of the overpressure incidents and the company's failure to report. The investigation report of 7 December, 2017, identified four (4) root causes and established a series of corrective actions to be taken in order to prevent future overpressure events on the MFS. | | | | | | | |
| <input checked="" type="checkbox"/> | Violation was primarily reporting / record-keeping failure / Infraction reliée principalement à la production de rapports ou à la tenue des dossiers | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | -- | -- | -- |
| N/A | | | | | | | |
| <input checked="" type="checkbox"/> | Any aggravating factors in relation to risk of harm to people or environment / Facteurs aggravants pouvant causer du tort au public ou à l'environnement | -- | -- | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| N/A | | | | | | | |
| (c) TOTAL GRAVITY VALUE / COTE DE GRAVITÉ GLOBALE | | | | | | | -1 |
| (d) DAILY PENALTY / SANCTIONS QUOTIDIENNES (The baseline penalty, adjusted for the final gravity level) (Pénalité de base d'après la côte de gravité) | | | | | | \$ | 40,000 |
| (e) NUMBER OF DAYS OF VIOLATION / DURÉE DE L'INFRACTION (If more than one day, then the justification must be provided.) (Si plus d'une journée, prière de justifier.) | | | | | | | 1 |
| Notes to explain decision to apply multiple daily penalties, or "Not Applicable" / Notes pour expliquer la décision d'appliquer des pénalités multiples quotidiennes, ou «sans objet» | | | | | | | |
| 4. TOTAL PENALTY AMOUNT / MONTANT TOTAL DE LA PÉNALITÉ | | | | | | \$ | 28,000 |
| Note: The total penalty amount shown is based on the period described in Step 1 above. If compliance has not been achieved, a subsequent Notice of Violation may be issued. Le montant total de la pénalité est calculé d'après la période décrite à l'étape 1 ci-dessus. Si la situation n'a pas été rétablie, un autre avis d'infraction pourrait être envoyé. | | | | | | | |
| 5. DUE DATE (30 days from receipt of Notice of Violation) DATE LIMITE (30 jours à compter de la réception de l'Avis d'infraction) | | | | | | | 14 August, 2018 |

Notes

You have the right to make a request for a review of the amount of the penalty or the facts of the violation, or both, within 30 days after the Notice of Violation was received.

If you do not pay the penalty nor request a review within the prescribed period, you are considered to have committed the violation and you are liable for the penalty set out in the Notice of Violation. The penalty is due on the date indicated above.

The unpaid penalty amount is a debt due to the Crown and may be recovered by collection procedures stipulated in the [Financial Administration Act](#).

The information regarding the violation may be posted on the NEB website:

- a) 30 days from the date this Notice of Violation was received
- or;
- b) upon issuing a decision following a Request for Review.

To Make Payment:

You may remit your fee payment by Electronic Funds Transfer (EFT) or by cheque payable to the order of Receiver General for Canada.

EFT payments can be arranged by contacting the Director of Financial Services, Monday to Friday, from 09:00 to 16:00 Mountain Time:

Telephone: 403-919-4743 / 800-899-1265
Fax: 403-292-5503 / 877-288-8803

Cheques should be made out to the "Receiver General for Canada" and mailed to:

National Energy Board
Attention: Finance
Centre 10, 517 – 10th Avenue SW
Calgary, Alberta
T2R 0A8

Your completed *Payment* form should be enclosed with your payment.

Notes

Vous disposez de 30 jours après la signification de l'Avis d'infraction pour demander une révision du montant de la pénalité, ou les faits rapportés, ou les deux.

Si les sanctions ne sont pas acquittées et qu'aucune révision n'est demandée, vous êtes considérés comme coupable de l'infraction et vous devez payer les sanctions précisées dans l'Avis d'infraction. Les sanctions sont payables à la date indiquée ci-dessus.

Un défaut de paiement constitue une créance envers l'Etat et peut être recouvré en utilisant tous les recours prévus dans la [Loi sur la gestion des finances publiques](#).

L'information concernant l'infraction pourrait également être affichée sur le site Web de l'ONÉ:

- a) 30 jours après la date de réception de l'Avis;
- b) dès qu'une décision a été rendue à la suite d'une Demande de révision.

Paiement:

Vous pouvez payer le montant dû par transfert électronique de fonds (TEF) ou par chèque établi à l'ordre du Receveur général du Canada.

Pour se prévaloir du service de transfert électronique, communiquer par téléphone avec le Directeur, Service des finances, du lundi au vendredi, de 9 h à 16 h, heure des Rocheuses :

Telephone: 403-919-4743/ 800-899-1265
Telec. : 403-292-5503/877-288-8803

Les chèques doivent être établis à l'ordre du Receveur général du Canada et postés à l'adresse suivante:

Office national de l'énergie
Service des finances
Centre 10, 517 – 10e Avenue S.-O.
Calgary (Alberta)
T2R 0A8

Le formulaire de *paiement* dûment rempli doit accompagner le paiement.

To Request a Review

Pursuant to the NEB Act, Section 144, you may file a request for a review of this Notice of Violation by the Board.

The date of filing is the date on which the document is received, as indicated by the date on an e-mail submission or the stamped on the document by a NEB employee.

If you elect to make a request for a review, complete and submit the attached *Request for Review* form to:

Administrative Monetary Penalty - Reviews
National Energy Board
Centre 10, 517 – 10th Avenue SW
Calgary, Alberta
T2R 0A8

For more information on reviews, please see the Administrative Monetary Penalties Process Guide available on the NEB's [website](#).

If you have any questions regarding this matter, please contact the undersigned.

Sincerely,

Demande de révision

En vertu de l'article 144 de la Loi sur l'ONE, vous pouvez présenter à l'Office une *Demande de révision* de cet Avis l'infraction.

La date du dépôt correspond à la date de réception du document, qui apparaît sur l'envoi électronique ou le timbre apposé sur le document par un employé de l'ONE.

Si vous voulez demander une révision, veuillez remplir et soumettre le formulaire de Demande de révision à l'adresse suivante :

Sanction administrative pécuniaire - Révision
Office national de l'énergie
Centre 10, 517 – 10e Avenue S.-O.
Calgary (Alberta)
T2R 0A8

Pour de plus amples informations sur le processus de révision, prière de consulter le Guide sur le processus relatif aux sanctions administratives pécuniaires sur le [site Web](#).

Pour toute question à ce sujet, veuillez communiquer avec la personne soussignée.

Sincères salutations,

Robert Steedman

Designated Officer
Administrative Monetary Penalties

Fonctionnaire désigné
Sanctions administratives pécuniaires

1-800-899-1265 or 403-292-4800