



File OF-Surv-OpAud-T211-2012-2013 01
30 October 2012

Mr. Russ Girling
President and Chief Executive Officer
TransCanada PipeLines Limited
450 – 1st Street SW
Calgary, AB T2P 5H1
Facsimile 403-920-2200

Dear Mr. Girling:

TransCanada PipeLines Limited (TransCanada) Compliance with Technical Standards - Audit of TransCanada and its National Energy Board (Board) regulated subsidiaries.

Further to the Board's letter dated 11 October 2012 (Compliance Letter), the Board determines compliance with its regulations by auditing the programs, procedures and records developed and maintained by its regulated companies. Accordingly, the Board will audit the operations of TransCanada as set out below.

The criteria against which the TransCanada will be audited are contained within:

- The *National Energy Board Act*;
- The *Onshore Pipeline Regulations, 1999*;
- *CSA Z662-11, Oil and Gas Pipeline Systems*, and
- TransCanada's policies, practices and procedures.

The Board expects TransCanada to demonstrate, and provide adequate supporting documentation of, the adequacy and effectiveness of its integrity management program (IMP) as well as its compliance with the documents listed above.

.../2

The audit will include all of TransCanada's NEB regulated subsidiaries and, if required, the IMP's of these companies, including specifically:

- TransCanada PipeLines Limited;
- TransCanada Keystone Pipeline GP Ltd.;
- Trans Québec & Maritimes Pipeline Inc.;
- Foothills Pipe Lines Ltd.; and
- NOVA Gas Transmission Ltd.

The audit scope will address the following management system elements as they relate to applicable IMPs:

- Roles, Responsibilities and Authority
- Management Review
- Internal Audit
- Corrective and Preventive Actions
- Hazards Identification, Risk Assessment and Control
- Training, Competence and Evaluation
- Operational Control-Normal Operations
- Operational Control-Upset or Abnormal Operating Conditions
- Inspection, Measurement and Monitoring

Further management system elements, or specific aspects of these elements, may be added to the scope of the audit depending on the results of audit interviews with TransCanada representatives and/or documentation review. Additional compliance verification activities may be required to confirm adequate implementation of IMPs, by either TransCanada or any of its subsidiaries.

In addition to examining all applicable IMPs, the audit will focus on TransCanada's ongoing and completed remediation measures referenced in the Board's Compliance Letter to verify that they adequately address regulatory non-compliances and mitigate any safety threats to people or the environment.

Further refinement of the audit scope will follow a meeting between NEB staff and TransCanada's management team, which will formally constitute the beginning of the audit.

Yours truly,



for Sheri Young
Secretary of the Board