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31 March 2016

Mr. Terrance Kutryk  
President and Chief Executive Officer  
Accountable Officer under the NEB Act  
Alliance Pipeline Ltd.  
800, 605 - 5<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 3H5

Dear Mr. Kutryk:

**National Energy Board – Overarching Comments With Respect To  
Alliance Pipeline Ltd. (Alliance)  
*National Energy Board Onshore Pipeline Regulations (OPR) Audit Report Findings***

On 31 March 2016, the National Energy Board (Board) released five (5) Final Audit Reports with respect to concurrent audits conducted on Alliance's management system and the following management or protection programs:

- Safety Management Program;
- Emergency Management Program;
- Environmental Protection Program;
- Third Party Crossings Program; and
- Public Awareness Program.

The Board has conducted and developed each audit report independently to ensure that a comprehensive assessment of Alliance's management system and each program was made. The Board has reviewed and analyzed all of the findings it has made in its Final Audit Reports and has noted opportunities for Alliance to improve its management practices, which in the Board's view would lead to better compliance, better environmental and safety outcomes and, ultimately, a more robust safety culture.

It is the Board's overarching view that, with respect to the audit findings, Alliance's management needs to ensure that the company fully shifts away from reliance on program based procedures and practices, and moves to a compliant management system based approach. This approach shall include, among other things:

- a comprehensive identification and managing of hazards and risks on an ongoing basis;
- a validation of Alliance's practices on an ongoing basis; and
- reflects clear management direction and oversight.

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The following are specific opportunities for improved management practices that are reflected in the common Non-Compliant findings made by the Board in its audits:

- Identification, review and compilation of compliance requirements in a more detailed and basic manner that directly correspond to the Board's regulatory requirements.
- Establishment and implementation of processes for identifying hazards and potential hazards, evaluating the associated risks and developing controls that directly correspond to the Board's regulatory requirements.
- Establishment of formal practices to validate Alliance's existing management and protection program practices and procedures against the compliant management system process requirements.
- Establishment of explicit policies, goals, objectives, targets and performance measures specific to each required program.
- Establishment and implementation of effective management review processes that include requirements to challenge the validity of Alliance's existing practices and interpretations of compliance requirements.
- Establishment of oversight practices to ensure that the inspections and audits required by the Board are undertaken as prescribed.

The Board notes that it has made a common determination in all of its Final Audit Reports that the majority of the Non-Compliant findings reflect Alliance's stage in developing and applying its management system. The Board also determined that this does not reflect the lack of technical management activities being undertaken by the company to ensure the safety of people, the pipeline and the protection of the environment.

Notwithstanding, it is the Board's view that Alliance has the opportunity to significantly enhance its approach to safety performance and safety culture by fully implementing a management systems approach and addressing the points noted above.

If you require any further information or clarification, please contact Tim Sullivan, Lead Auditor, Operations Business Unit at 403-801-1289 or toll-free at 1-800-899-1265.

Yours truly,

*Original signed by*

Sheri Young  
Secretary of the Board

Attachments – Final OPR Audit Report documents