



OF-Surv-FIns-W102-2014 01
14 July 2015

Mr. Mark Fiedorek
President
Spectra Energy Transmission West
Suite 2600, 425-1 Street S.W.
Calgary, AB T2P 3L8
Facsimile 403-699-1550

Dear Mr. Fiedorek:

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

The National Energy Board (NEB or Board) has issued the attached Safety Order SG-W102-002-2015 (Safety Order) to address a number of concerns with respect to the operations at Westcoast's processing plants and facilities. It requires Westcoast to, among other things, identify and correct its management system failures, for the safety and security of its processing plants and facilities.

I - Safety Issues Identified by the Board

Board Inspectors have conducted 15 compliance verification activities on Westcoast processing plants between 1 April 2014 and 26 June 2015, and have issued 27 Notices of Non-Compliances with respect to the *National Energy Board Processing Plant Regulations* (PPR).

Many of these safety issues have been corrected at the processing plant in which they were originally identified. The Board expects Westcoast to address safety concerns on a systemic basis, throughout all its gas processing plants and facilities. Based on recent violations described below, the Board is not confident safety concerns are being addressed in this manner.

The NEB understands Westcoast has been taking steps to address safety concerns pertaining to material handling equipment. However, the Board finds that this issue has not been adequately addressed at all of Westcoast's processing plants and facilities. In particular, the Board notes:

- Board Inspectors first identified concerns about the inspection and testing of material handling equipment at the Aitken Creek Gas Plant in June 2014.

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- Similar issues were identified at the Fort Nelson North Processing Facility Dawson Creek in August and September 2014; and at the Fort Nelson Gas Plant in May 2015.

An effective management system approach should have identified and corrected these issues at all processing plants. Given that Board Inspectors continue to find non-compliances related to material handling equipment, the Board is of the view that Westcoast's management system is not effectively addressing this issue on a systemic level.

Westcoast has also failed to adopt a systemic approach with respect to staffing reports required under sections 32 and 50 of the PPR. Westcoast was required, under the Board's 22 March 2013 final PPR audit report of Westcoast's operations (Audit Report), to create staffing reports for all its gas processing plants and facilities. Although Westcoast is in the process of preparing these reports, not all have been finalized and provided in a reasonable amount of time. Westcoast must ensure, through the documentation required by these sections of the PPR, that it has the necessary employees to effectively and safely respond to an unplanned event at all its gas processing plants and facilities.

The Safety Order requires confirmation that Westcoast has adopted a management-system approach to address all non-compliances identified by the NEB Inspection Officers from 1 April 2014 to 14 July 2015, including the above violations. The Board requires certainty that Westcoast will address non-compliances in a systemic manner.

II - Board Comments Regarding Westcoast's letter dated 30 April 2015 (Westcoast response to a Board Inspector's Information Request (IR))

The Board is in receipt of Westcoast's response to an IR dated 16 April 2015. In its response, Westcoast addresses a report it prepared pursuant to sections 32 and 50 of the PPR (Staffing Report).¹ It also requested that the Board harmonize the due dates associated with NEB Inspectors' Inspection Order, Notice of Non-Compliance and Assurance of Voluntary Compliance (AVC).

The Safety Order responds to this request. The effect of the Safety Order is to harmonize all the active due dates with respect to the Staffing Reports,² with the exception of the AVC. The Board will, with the exception of the AVC, handle any follow-up compliance regarding the Staffing Reports.³

¹ This Staffing Report was initially prepared in response to the Board's final report of the PPR audit conducted on Westcoast's operations (Audit report).

² The Board understands that Inspection Officer #1137 has determined that the conditions of Inspection Order SCB-001-2015, and the filing deadline set out in the 16 April 2015 IR, have been satisfied. The Inspection Officer has advised the Board that these due dates are therefore no longer active.

³ This includes the implementation assessment of the Staffing Reports. Board staff will continue to conduct an implementation assessment of Westcoast's CAP (other than the Staffing Reports).

As Westcoast is aware, the AVC was issued by an NEB Inspector who enforces the *Canada Labour Code* (Code) and associated regulations on behalf of the Minister of Labour. The Board is not involved in the enforcement of that Code. As a result, the Board cannot harmonize the due date associated with AVC File No. 2014-111, as requested by Westcoast.

The Board recognizes that Westcoast has undertaken work in respect of the Staffing Reports; however, as described in the Safety Order, the Board requires Westcoast to file Staffing Reports for all its gas processing plants and facilities (with the exception of the McMahon Gas Plant) by 14 August 2015. Westcoast must also file its updated Staffing Report for the McMahon Gas Plant by 31 October 2015.

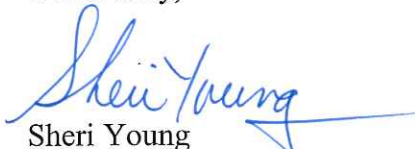
Westcoast is required by the Safety Order to file Staffing Reports for the Kwoen and Sikanni gas processing plants, even though they are currently in a deactivated state. Processing plants that are maintained in a deactivated state can be brought back online and would require an immediate increase in staffing. The Board requires a staffing assessment to make sure that adequate staffing levels are maintained during deactivated states, as well as for when full operation is achieved. These Staffing Reports must be provided by 14 August 2015.

III - Conclusion

The Board recognizes that Westcoast is taking a proactive approach to environment, health and safety. This is reflected in Westcoast's IR response, when it noted that both the NEB and Westcoast have a common interest in achieving compliance, operational safety and environmental protection, and that working together can accomplish these goals. However, to be effective, Westcoast must enhance its management system approach for processing plants and facilities to ensure safety issues identified at one plant are addressed throughout its processing plants and facilities. Safety Order SG-W102-002-2015 is an important step in working toward such an approach.

Should you have any questions, please do not hesitate to contact Andrea Hardie, Director, Safety Management or Chris Loewen, Vice President, Operations.

Yours truly,


Sheri Young
Secretary of the Board

Attachment

cc: Ms. Michele Harradence, Vice President, Operations & EHS, Facsimile 403-699-1585
Ms. Julie Fisk, AGC and Director, Regulatory Compliance & Audit, Facsimile 403-699-1790



ORDER SG-W102-002-2015

IN THE MATTER OF the *National Energy Board Act* (the Act) and the regulations made thereunder; and

IN THE MATTER OF non-compliances relating to operations at processing plants and facilities operated by Westcoast Energy Inc., carrying on business as Spectra Energy Transmission (Westcoast), pursuant to subsection 48(1.1) and paragraph 12(1)(b) of the Act, under National Energy Board File OF-Surv-FIns-W102-2014 01.

BEFORE the National Energy Board (Board or NEB) on 9 July 2015.

WHEREAS the Board regulates the operation of processing plants and facilities owned by Westcoast;

AND WHEREAS on 22 March 2013, the Board issued a final report with respect to an audit conducted pursuant to the *National Energy Board Processing Plant Regulations* (PPR) on the operations of Westcoast's McMahon Gas Plant (Audit Report), which included a finding that Westcoast was not able to demonstrate compliance with sections 32 and 50 of the PPR;

AND WHEREAS in the Audit Report, the Board advised Westcoast that any non-compliant findings related to the common procedures and practices should be addressed and mitigated at all other Westcoast processing plants and facilities regulated by the Board, in addition to the McMahon Gas Plant;

AND WHEREAS Westcoast submitted a Corrective Action Plan (CAP) which was approved by the Board in 5 December 2014;

AND WHEREAS in the CAP Westcoast committed to, by 31 December 2013, complying with sections 32 and 50 of the PPR by creating a report setting out the number of employees necessary to operate its processing plant safely and the competencies required for each position (Staffing Report);

AND WHEREAS an inspection at the Fort Nelson Gas Plant, carried out by Inspection Officers between 4 February 2015 and 6 February 2015, revealed that some non-compliances identified in the Audit Report (specifically, the lack of a Staffing Report) had not been addressed;

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AND WHEREAS on 1 April 2015, the Board was notified of an Inspection Officer Order (SCB-001-2015) dated 1 April 2015, to mitigate the hazard of Westcoast being unable to demonstrate that it had a sufficient number of qualified workers to safely conduct operations at the Fort Nelson Gas Plant;

AND WHEREAS Inspection Officer Order SCB-001-2015 required that Westcoast conduct an assessment to set out the number of employees necessary to operate its processing plant safely, as required by section 50 of the PPR, for the Fort Nelson Gas Plant by 15 May 2015;

AND WHEREAS on 30 April 2015, Westcoast updated the Board on the status of the Staffing Reports;

AND WHEREAS between 18 June and 21 August 2014, two additional inspections were conducted by Inspection Officers at the Aitken Creek Gas Plant and Fort Nelson North Processing Facility, and during those inspections, Board inspectors identified non-compliances with respect to inspection, testing and maintenance of material handling equipment;

AND WHEREAS on 19 June 2015, the Board was notified of an Inspection Officer Order (RRW-001-2015) dated 19 June 2015, to mitigate an unsafe condition with respect to materials handling equipment at the Kobes Creek Booster Station;

AND WHEREAS the non-compliances with respect to material handling equipment at the Aitken Creek Gas Plant, Fort Nelson North Processing Facility, Fort Nelson Gas Plant and the Kobes Creek Booster Station were similar in nature to those identified at the Dawson Creek Gas Plant (during a compliance verification activity conducted between 3 September 2014 and 4 September 2014), for which Westcoast received an Administrative Monetary Penalty on 22 January 2015;

AND WHEREAS Inspection Officers have conducted 15 compliance verification activities on Westcoast processing plants and facilities between 1 April 2014 and 26 June 2015 and have issued 27 Notices of Non-Compliances with respect to PPR violations;

AND WHEREAS the Board has identified repeated, uncorrected safety issues at multiple operating locations as described above;

AND WHEREAS the Board is concerned that safety issues identified during inspections of Westcoast's processing plants and facilities have not been corrected using an organization-wide approach;

AND WHEREAS the Board has determined that the failure in Westcoast's management system must be addressed and corrected on a systemic basis across all Westcoast processing plants and facilities for public safety and the protection of the environment;

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NOW THEREFORE, pursuant to paragraph 12(1)(b) and subsection 48(1.1) of the Act, the Board orders Westcoast to undertake the following measures for the safety and security of its processing plants and facilities:

1. By 30 September 2015, file with the Board, for approval, a report that:
 - a) Identifies, through a root cause analysis, where breakdowns or failures occurred in the implementation of Westcoast's management system;
 - b) Specifies how and by what date Westcoast will correct the management system breakdowns or failures identified in section 1(a) of this Order;
 - c) Examines the non-compliances identified by NEB Inspection Officers between 1 April 2014 and the date of this Order, and describes how, using the management system approach described in Schedule A to this Order, Westcoast will address these non-compliances across all Westcoast processing plants and facilities;
 - d) Sets out target dates for when each of the corrective actions identified in section 1(c) of this Order will be completed or implemented; and
 - e) Sets out dates, until 31 December 2017, that Westcoast will file quarterly updates with the Board on the status of the corrective actions identified in sections 1(b) and 1(c) of this Order.
2. By 14 August 2015, Westcoast shall file with the Board, for approval, the Staffing Reports for all Westcoast processing plants and facilities, with the exception of the McMahon Gas Plant.
3. By 31 October 2015, Westcoast shall file with the Board, for approval, its updated Staffing Report for the McMahon Gas Plant.

NATIONAL ENERGY BOARD



Sheri Young
Secretary of the Board

SCHEDULE A
National Energy Board Order SG-W102-002-2015

**Westcoast Energy Inc., carrying on business
as Spectra Energy Transmission (Westcoast)**
Order issued pursuant to subsection 48(1.1) and paragraph 12(1)(b)
of the *National Energy Board Act*
File OF-Surv-FIns-W102-2014 01

In this Order, a management system approach includes, but is not limited to:

- a) establishing documented policies and goals on which to base its management system and safety management program on. These policies and goals should include as a minimum:
 - i. a policy for the internal reporting of hazards, potential hazards, incidents and near-misses that includes the conditions under which a person who makes a report will be granted immunity from disciplinary action; and
 - ii. goals for the prevention of ruptures, liquid and gas releases, fatalities and injuries and for the response to incidents and emergency situations
- b) Establishing and implementing a process for setting objectives and specific targets that are required to achieve the goals relating to internal reporting of hazards, incidents, near-misses, prevention of ruptures, liquid and gas releases, fatalities and injuries and for ensuring their annual review;
- c) developing performance measures for assessing Westcoast's success in achieving its goals, objectives and targets;
- d) establishing and implementing a process for identifying and analyzing all hazards and potential hazards;
- e) establishing and maintaining an inventory of the identified hazards and potential hazards;
- f) establishing and implementing a process for evaluating and managing the risks associated with the identified hazards, including the risks related to normal and abnormal operating conditions;
- g) establishing and implementing a process for developing and implementing controls to prevent, manage and mitigate the identified hazards and the risks and for communicating those controls to anyone who is exposed to the risks;

SCHEDULE A (cont'd)
National Energy Board Order SG-W102-002-2015

- h) establishing and implementing a process for identifying, and monitoring compliance with, all legal requirements that are applicable to Westcoast in matters of safety, security and protection of the environment;
- i) establishing and maintaining a list of those legal requirements;
- j) establishing and implementing a process for identifying and managing any change that could affect safety, security or the protection of the environment, including any new hazard or risk, any change in a design, specification, standard or procedure and any change in Westcoast's organizational structure or the legal requirements applicable to Westcoast;
- k) establishing and implementing a process for developing competency requirements and training programs that provide employees and other persons working with or on behalf of Westcoast with the training that will enable them to perform their duties in a manner that is safe, ensures the security of the processing plants and facilities and protects the environment;
- l) establishing and implementing a process for verifying that employees and other persons working with or on behalf of Westcoast are trained and competent and for supervising them to ensure that they perform their duties in a manner that is safe, ensures the security of the processing plants and facilities and protects the environment;
- m) establishing and implementing a process for making employees and other persons working with or on behalf of Westcoast aware of their responsibilities in relation to the processes and procedures required by this section of the Order;
- n) establishing and implementing a process for the internal and external communication of information relating to safety, security and protection of the environment;
- o) establishing and implementing a process for identifying the documents required for Westcoast to meet its obligations to ensure the safety and security of the public and Westcoast's employees, the safety and security of the processing plants and facilities and the protection of property and the environment;
- p) establishing and implementing a process for preparing, reviewing, revising and controlling those documents, including a process for obtaining approval of the documents by the appropriate authority;
- q) establishing and implementing a process for generating, retaining and maintaining records that document the implementation of the management system and for providing access to those who require them in the course of their duties;

SCHEDULE A (cont'd)
National Energy Board Order SG-W102-002-2015

- r) establishing and implementing a process for coordinating and controlling the operational activities of employees and other people working with or on behalf of Westcoast so that each person is aware of the activities of others and has the information that will enable them to perform their duties in a manner that is safe, ensures the security of the processing plants and facilities and protects the environment;
- s) establishing and implementing a process for the internal reporting of hazards, potential hazards, incidents and near-misses and for taking corrective and preventive actions, including the steps to manage imminent hazards;
- t) establishing and maintaining a data management system for monitoring and analyzing the trends in hazards, incidents and near-misses;
- u) establishing and implementing a process for developing contingency plans for abnormal events that may occur during construction, operation, maintenance, abandonment or emergency situations; and
- v) establishing and implementing a process for inspecting and monitoring Westcoast's activities and facilities and for taking corrective and preventive actions if deficiencies are identified.

A reference to a process includes any procedures that are necessary to implement the process.