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**Stephen G. Dyer**  
Vice President, Manufacturing

February 5, 2008

Carole J. Washburn  
Executive Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. S.W.  
P.O. Box 47250  
Olympia, Washington 98504-7250

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STATE OF WASH.  
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**RE: Docket No. PL-070131**

Dear Ms. Washburn:

This letter is in response to your letter of January 8, 2008 regarding probable violations and an area of concern noted during the inspection of Agrium's ammonia pipeline conducted on December 17 and 18, 2007. Agrium is committed to ensuring that any violations are brought into full compliance as expeditiously and as effectively as possible and to ensure there is a sustainable process in place to meet or exceed the regulatory requirements.

The existing operations and maintenance procedures manual for conducting normal operational and maintenance activities and handling abnormal operations and emergencies with respect to the ammonia pipeline ("Ammonia Pipeline Procedures") is presently integrated with the manual in place for meeting other regulatory requirements for the manufacturing site ("Other Regulatory Procedures"). We no longer feel that integration of the Ammonia Pipeline Procedures and the Other Regulatory Procedures in one manual is practical and intend to hire a third party consultant to create a stand alone manual which would solely deal with the Ammonia Pipeline Procedures to ensure that Agrium can verify full compliance with all of the requirements of WAC 480-75. We are in the process of contracting a fully qualified consultant whose mandate will be to develop a separate Ammonia Pipeline Procedures manual (the "New Manual"). It is unlikely the New Manual can be completed before July 1, 2008. Development of training programs, actual training, and complete implementation required will in all probability not be complete until December 31, 2008. We would be pleased to provide you with periodic progress reports to the above.

Although the timeline for developing the New Manual will be somewhat lengthier than modifying the existing program, we believe the benefit of having a system that clearly demonstrates compliance with

the regulations is worth it. We look forward to your comments and input regarding this approach as well as the requested timeline for addressing the inspection findings.

Agrium's response to the individual findings identified in your January 8, 2008 letter is as follows:

1. **49 CFR 195.402(a) Procedural manual for operations, maintenance and emergencies**

*Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 month, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective.*

**Finding(s):**

There was no evidence that the Agrium's manual received the required annual review.

**Response:** The New Manual will be developed as stated above and reviewed annually.

2. **49 CFR 195.402(c)(13) Procedural manual for operations, maintenance and emergencies**

*Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.*

*The manual must include procedures for the following to provide safety during maintenance and normal procedures:*

*Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.*

**Finding(s):**

There was no procedure found in the O&M Procedures requiring periodic review of personnel work to determine effectiveness of procedures. Also, there was no documentation proving that this review had been done by the operator.

**Response:** Section 5.2 of Procedure 13.01 of Agrium's presently existing O&M manual requires a review of personnel performance annually. However, actual practice was to review the work done by operator personnel once every 3 years as required by WISHA process safety management regulations. The requirement for annual review of the work done by operator personnel to determine effectiveness of procedures and ensuring that there is documentation demonstrating such will be included in the New Manual.

3. **49 CFR 195.403(c) Emergency Response Training**

*Each operator shall require and verify that its supervisors maintain a thorough knowledge of that portion of the emergency response procedures established under 195.402 for which they are responsible to ensure compliance.*

**Finding(s):**

There was confirmation that supervisors took the hazwopper refresher but there was no evidence that supervisors maintained a thorough knowledge of the portion of the procedures that they are responsible for.

**Response:** The New Manual will include provisions requiring the verification and documentation of the training and investigation of the knowledge level of the supervisors concerning emergency response procedures set out in 195.402.

4. **49 CFR 195.404(b)(1) Maps and Records**

*Each operator shall maintain for at least three years daily operating records that indicate the discharge pressure at each pump station.*

**Finding(s):**

There were no records indicating discharge pressure at the pump station. There were line pressure records for the receiving end of the ammonia line.

**Response:** The Finley operator run sheet will be revised to record the pipeline pressure at the gauge near the ammonia process pumps. This will be completed by 2/28/08.

5. **49 CFR 195.555 What are the qualifications for supervisors?**

*You must require and verify that supervisors maintain a thorough knowledge of that portion of the corrosion control procedures for which they are responsible for insuring compliance.*

**Finding(s):**

There was no evidence that supervisors maintained a thorough knowledge of appropriate corrosion control procedures.

**Response:** We believe that the applicable supervisors have a thorough knowledge of existing corrosion control procedures. However, a specified procedure to verify such knowledge base has not been properly documented. Such procedure will be included in the New Manual.

6. **49 CFR 195.583(a) What must I do to monitor atmospheric corrosion control?**

*You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months.*

**Finding(s):**

There were no records indicating that atmospheric corrosion monitoring had been done.

**Response:** Although the form required by the procedure set out in existing manual (5.01) to document atmospheric inspection was not completed, the inspection was done and the pipeline was painted as documented under work order 2830839. The New Manual will contain provisions to meet the requirements of this regulation.

7. **49 CFR 195.402 (c)(3) Procedural Manual for Operations, Maintenance and Emergencies**

*Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.*

*The manual must include procedures for the following to provide safety during maintenance and normal procedures:*

*Operating, maintaining and repairing the pipeline in accordance with each of the requirements of subpart F. 49 CFR 195.404 is in subpart F and addresses Maps and Records.*

**Finding(s):**

49 CFR 195.404(a)(1)(ii) requires that current maps and records be maintained for the specified pipeline components. Agrium's procedure did not include pump stations as required. This requirement needs to be added to your procedure.

**Response:** The New Manual will include the requirement that pump stations be included in pipeline mapping. However, Agrium respectfully submits that the pump supplying ammonia to the ammonia pipeline is not a "pump station" as provided in the regulations. The pumps in question are used for loading trucks and rail cars and for transferring ammonia within the Finley plant site as well as pumping to Kennewick and are part of the "in plant" piping system.

8. **49 CFR 195.402 (c)(3) Procedural Manual for Operations, Maintenance and Emergencies**  
*Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. The manual must include procedures for the following to provide safety during maintenance and normal procedures:*

*Operating, maintaining and repairing the pipeline in accordance with each of the requirements of subpart H. 49 CFR 195.555 is in subpart H and requires that supervisors maintain a thorough knowledge of the portion of corrosion control procedures for which they are responsible. Supervisor knowledge must also be verified.*

**Finding(s):**

The requirement could not be found in the procedures.

**Response:** The New Manual will contain provisions addressing this finding.

9. **WAC 480-75-300(3) Leak Detection**  
*Companies must have a leak detection procedure and a procedure for responding to alarms. The operator must maintain leak detection maintenance and alarm records.*

**Finding(s):**

There were no alarm records maintained by the operator.

**Response:** The New Manual will contain provisions addressing this finding. In the interim, the current operating procedures will be revised to include logging of alarms and alarm responses. This interim step will be completed by 2/28/08.

10. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**  
*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-610 WAC Reporting requirements for Proposed Construction requires reporting construction activity to the commission at 45 days prior to construction.*

**Finding(s):**

The plan did not include requirements to notify the commission of proposed construction.

**Response:** The New Manual will include provisions to address this finding

11. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**  
*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-620 WAC Pressure Testing Reporting Requirements requires that the commission be notified 45 days prior to a hydrotest which is used to raise the maximum operating pressure.*

**Finding(s):**

There was no procedure to notify the commission of hydrotesting used to raise the maximum operating pressure.

**Response:** The New Manual will include provisions to address this finding..

12. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**

*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-300 WAC requires a leak detection procedure and procedure for responding to alarms.*

**Finding(s):**

A leak detection procedure and procedure for responding to alarms could not be found.

**Response:** The new O&M manual will contain provisions to address this finding.

13. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**

*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-400 addresses backfilling and bedding requirements.*

**Finding(s):**

No procedure was found to address this requirement,

**Response:** The present O&M manual procedure (8.01, Section 5.8) deals with backfilling and bedding requirements. Some minor wording changes are required to address this finding and these will be addressed in the New Manual.

14. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**

*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-460 Addresses weld inspection requirements.*

**Finding(s):**

No procedure was found to address this requirement.

**Response:** The present O&M manual (8.01, Section 5.7) deals with weld inspection and testing of repairs. However, the issue of new construction is not adequately dealt with. WAC 480-75-460 requires inspection per API 1140. Agrium's procedure allows inspection per API 1140 or ASME Section IX. Discrepancies will be addressed in the New Manual.

15. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**

*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-660(2)(a)(v) addresses emergency management training for operators.*

**Finding(s):**

No procedure was found to address this requirement.

**Response:** The present O&M manual procedure 13.01 addresses in a general sense, training for operators. The New Manual will contain more detailed provisions with respect to emergency management training for operators and will provide for the documentation of the verification of such.

16. **WAC 480- 660 Operations Safety Plan Requirements (2)(a)**  
*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-660(2)(a)(vi) addresses earthquake response procedures.*

**Finding(s):**

No procedure could be found to address this requirement.

**Response:** Procedure FI040301-4-12-2006, Abnormal Operations, found in the existing Pipeline Specific Operating Manual, includes provisions for responding to earthquakes but does not fully meet the requirement of WAC 480-660. The New Manual will contain provisions addressing this finding.

17. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**  
*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-500 addresses moving and lowering hazardous liquid pipelines.*

**Finding(s):**

No procedure could be found to address this requirement.

**Response:** The New Manual will contain provisions addressing this finding.

18. **WAC 480-75-660 Operations Safety Plan Requirements (2)(a)**  
*At a minimum the plan must include the requirements of 480-75 WAC. 480-75-520 addresses pipe inspections during excavations and prior to backfilling.*

**Finding(s):**

No procedure was found that addressed this requirement.

**Response:** The New Manual will contain provisions addressing this finding.

19. **49 CFR 195.505(a) Qualification of Pipeline Personnel**  
*Each operator shall have and follow a written program. The program shall include provisions to identify covered tasks*

**Finding(s)**

Maintenance activities required in 49 CFR 195 were not listed as covered tasks. As a result, there was no process to qualify personnel who perform these tasks. Agrium needs to identify covered tasks in accordance with the requirements in Subpart G. Once the tasks are identified, a qualification process must be developed and carried out.

**Response:** The New Manual will contain provisions addressing this finding.

20. **49 CFR 195.505(b) Qualification of Pipeline Personnel**  
*Each operator shall have and follow a written program. The program shall include provisions to ensure through evaluation that individuals performing covered tasks are qualified.*

**Finding(s)**

Maintenance activities required in 49 CFR 195 were not listed as covered tasks. As a result, there was no process to qualify personnel who perform these tasks. Agrium needs to identify covered tasks in accordance with the requirements in Subpart G. Once the tasks are identified, a qualification process must be developed and carried out. Also abnormal operating conditions must be identified and reviewed with the personnel as part of the qualification process.

**Response:** The New Manual will contain provisions addressing this finding.

## **DRUG AND ALCOHOL PROGRAM**

1. **49 CFR 199.101 Anti-Drug Plan**

*Each operator shall maintain and follow a written anti-drug plan that conforms to the requirements of this part and DOT procedures. The plan must contain methods and procedures for compliance with all the requirements in 49 CFR 199.*

*49 CFR 199.105(f) specifies that follow up test will include 6 tests within the first 12 month period.*

**Finding(s)**

The Anti-drug program needs to specify that 6 tests be conducted within the first 12 months of follow-up testing.

**Response:** Agrium's Kennewick DOT Drug and Alcohol plan will be revised to address such finding and the revised plan will be resubmitted by March 31, 2008.

2. **49 CFR.199.101 Anti-Drug Plan**

*Each operator shall maintain and follow a written anti-drug plan that conforms to the requirements of this part and DOT procedures. The plan must contain methods and procedures for compliance with all the requirements in 49 CFR 199.*

*49 CFR 199.109(d) requires that the MRO report all drug test results to the operator in accordance with DOT procedures.*

**Finding(s)**

The anti-drug program needs to state the MRO must report all drug tests to the operator in accordance with DOT procedures. This statement was not found in the Plan.

**Response:** Agrium's Kennewick DOT Drug and Alcohol plan will be revised to address such finding and the revised plan will be resubmitted by March 31, 2008.

3. **49 CFR.199.101 Anti-Drug Plan**

*Each operator shall maintain and follow a written anti-drug plan that conforms to the requirements of this part and DOT procedures. The plan must contain methods and procedures for compliance with all the requirements in 49 CFR 199.*

*49 CFR 199.109(f) states that the substance abuse professional may not refer covered employees to their private practice or a practice they receive remuneration.*

**Finding(s)**

The anti-drug program needs to state that substance abuse professional not self refer covered employees or refer employees to a practice that they receive remuneration from. This statement was not found in the plan.

**Response:** Agrium's Kennewick DOT Drug and Alcohol plan will be revised to address such finding and the revised plan will be resubmitted by March 31, 2008.

**AREAS OF CONCERN**

1. RCW 19.122.035(2) requires that flow be terminated in a pipeline upon receiving notice of third party damage. Also, the operator is required to visually inspect the damaged pipeline and determine if line needs to be repaired or replaced. These requirements should be added in your O&M manual

**Response:** The New Manual will contain provisions addressing this concern.

We trust the above adequately responds to your January 8, 2008 letter and we would be pleased to address any concerns or questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Steph Dyer".

Stephen Dyer