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Stephen Dyer
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February 14, 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

Re: Docket No. PG-070132

Dear Ms. Washburn:

This letter is in response to your letter of January 14, 2008 regarding probable violations and an area of concern noted during the inspection of Agrium's natural gas 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 ensuring there is a sustainable process in place that will meet or exceed the regulatory requirements.

The existing operations and maintenance procedures for conducting normal operational and maintenance activities and handling abnormal operations and emergencies with respect to the natural gas pipeline are presently integrated with procedures for meeting other regulatory requirements for the manufacturing site ("Process Safety Management"). We no longer feel that integration of the natural gas pipeline procedures with the other regulatory procedures is practical and intend to hire a third party consultant to create a stand alone program which would solely deal with the natural gas pipeline procedures so as to ensure that Agrium can verify full compliance with all of the requirements of Title 49 CFR Part 192 and WAC 480-93. We are in the process of contracting with a fully qualified consultant whose mandate it would be to develop a separate natural gas pipeline program which would include a formal written manual (the "New Manual"). It is unlikely that the New Manual can be completed before July 1, 2008. Development of training programs, the actual training, and complete implementation will require probably not be complete until December 31, 2008. We would be pleased to provide you with periodic progress reports as to the above as you may require.

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Although the timeline for developing the New Manual will be somewhat lengthier than it would be to modify the existing program, we believe that 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 and this requested timeline for addressing the inspection findings.

In a number of respects Agrium's natural gas pipeline does not easily fall within the definitions and classifications set out in the regulations. Agrium would like to discuss and attempt to reach agreement with your Pipeline Safety Department as to the proper classification of the pipeline: as to whether the line should be classed a main or a service line and as to whether it should be classed a high pressure or low pressure line. We would also like to clearly determine acceptable ways of handling sections of the regulations that would appear not to apply to our natural gas line-so that the New Manual is as accurate and useful as possible.

Agrium's response to the individual findings identified in your January 14, 2008 letter is as follows:

PV No. 1:

49 CFR 192.605(a) Procedural manual for operations, maintenance and emergencies

Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response....The manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year.

Finding(s):

There was no evidence that the O&M manual was reviewed annually.

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

PV No. 2:

49 CFR 192.605(b)(8) Procedural manual for operations, maintenance and emergencies

Each operator shall prepare and follow for each pipeline a manual of written procedures for conducting operations and maintenance activities and for emergency response.

The manual must include procedures for the following:

Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operations and maintenance and modifying procedures when deficiencies are found.

Finding(s):

There was no evidence that periodic review of personnel work had been done.

Response: Actual practice is 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 work done by operator personnel and ensuring that there is documentation demonstrating such, will be included in the New Manual.

PV No. 3:

49 CFR 192.481 Atmospheric corrosion control: monitoring

Each operator 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 was no evidence that atmospheric monitoring had been done.

Response: Although the form required by the procedure set out in the existing O&M manual (6.01) to document atmospheric inspection was not completed there is a work order 2830838 requiring repainting of a portion of the natural gas line and there is a newly painted line. We respectfully submit that such should provide evidence that the inspection was in fact made.

PV No. 4:

WAC 480-93-180(1)Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." Then Manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-200(2)(a-d) requires a 24 hour notification for the conditions defined in section a-d.

Finding(s):

This requirement was not in Agrium's procedures manual.

Response: WAC 480-93-200(2)(a-d) is included verbatim in Agrium's Spill and Release Reporting Guide which was viewed online by the inspector. These requirements will be included in the New Manual.

PV No. 5, 8, 9, 10, 22, 23, 24, 25, 30, 31, 34, 48, 51, 52, 53, 54, 55, 56, 57, 58, 59, 69, 70, 71, 72, 76, 77, 78, and 79.

These probable violations all included the finding "This requirement could not be found in Agrium's procedure manual." Agrium agrees that the requirement is not present in the existing O&M manual and will be included in the New Manual.

PV No. 6:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-200(7)(b)(iii) requires that the operator submit damage prevention statistics to the commission annually.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: Damage statistics were reported as required. The appropriate revisions will be reflected in the New Manual.

PV No. 7:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-200(7)(c) requires the submission of an annual report detailing construction defects and material failures resulting in leakage.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: Information was reported as required. The appropriate revisions will be reflected in the New Manual.

PV No. 11, 13, 14, 15, 16, 17 18, 19, 20, 21, 35

These probable violations address various requirements for design and fabrication of pipeline components. The existing O&M manual Procedure 9.01 Section 5 stipulates "No operator (Agrium) may use any pipe, valve, or fitting for replacement or repairing pipeline facilities unless it is designed and constructed as required by Part 192." Procedure 9.01 Section 3 stipulates that the Engineering Department is responsible to confirm that all repairs are performed in accordance with this procedure. Since the O&M manual may lag the regulations by up to 15 months, it is imperative that the regulations be reviewed prior to any repair or replacement work on the pipelines. It is implied, but not specifically stated in the O&M manual, that these conditions apply to new construction. Appropriate wording will be incorporated in the New Manual.

PV No. 40, 41, 42, 43, 44, 45, 46, 47, 49, and 50:

The citations for these probable violations all come from Subpart G – General Construction Requirements for Transmission Lines and Mains. Agrium's pipeline has been classified as a "distribution line". A "Main" is defined as a "distribution line" that serves as a common source of supply for more than one service line. We respectfully submit that utilizing these definitions, Agrium's line is not a "Main" and therefore the regulations cited are not applicable to Agrium's pipeline.

PV No. 12:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.63 addresses marking of materials.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 2.02 addresses marking of materials in compliance with 49CFR192.63. Marking of materials is also covered in Section 5 of the R Stamp Manual which is referenced in O&M manual procedure 9.06.

PV No. 60:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-155(1-2) addresses state uprating requirements.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 11.01 covers re-rating of pipelines. Minor wording modifications will be incorporated in the New Manual to assure verbatim regulatory compliance.

PV No. 61:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.605(a) addresses the annual procedure manual review.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The requirement to annually review and update the manual is found in the last paragraph of the FORWARD of the existing O&M manual.

PV No. 62:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 605(b)(5) addresses the periodic review of personnel work to determine effectiveness of procedures.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 3.06, (Sections 5.1.4 and 5.1.5) addresses periodic review of personnel work and procedures.

PV No. 63:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.605(b)(11) require procedure for prompt response to reports of gas odors inside or near buildings.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 3.04, (Section 5.1.3) addresses prompt response of gas detected inside or near a building.

PV No. 64:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must

comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.613(b) requires that pipe pressure be reduced if pipe condition determined to be unsatisfactory.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 5.01, (Sections 5.4, 5.5 and 5.6) addresses this requirement.

PV No. 65:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.615 addresses emergency plans.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: We respectfully submit that the existing O&M manual Procedure 3.04 addresses the requirements set out in 49CFR192.615.

PV No. 66:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.616(a) requires a public education program consistent with API RP 1162.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: A program complying with the requirements of API RP 1162 was prepared and electronically submitted as required. The existing O&M procedure 3.03 (Public Education) will be revised to require compliance with API RP 1162.

PV No. 67:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.619 addresses MAOP requirements.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 8.01 covers MOAP requirements except for non-applicable items such as plastic pipe, offshore pipelines, and class 3 and 4 locations.

PV No. 68:

WAC 480-93-180(1) Plan of operations and maintenance procedures: emergency policy; reporting requirements

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-015(1-4) addresses State odorization requirements.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: We respectfully submit that Agrium is in fact in compliance with WAC 480-93-015(1-4) but such a requirement is not in the existing O&M manual. The New Manual will include such requirement.

PV No. 73:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

WAC 480-93-124 addresses pipeline markers.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: We respectfully submit that Agrium is in fact in compliance with the requirements of WAC 480-93-124 but such requirements are not stated in the existing O&M manual. The New Manual will include such requirements.

PV No. 74:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.745(b) and 49 CFR 192.747(b) address the requirement for prompt remedial action to correct inoperable valves.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: The existing O&M manual Procedure 7.01 (Section 5.2) requires prompt repair of inoperable valves but we respectfully submit the the language of 49 CFR 192 and chapter 480-93 WAC is not phased as if such was mandatory. However, mandatory language will be included in the New Manual.

PV No. 75:

**WAC 480-93-180(1) Plan of operations and maintenance procedures:
emergency policy; reporting requirements**

Each operator must have a plan and procedure manual for operation, maintenance, inspection and emergency response activities. The plan must comply with the provisions of the "Pipeline Safety Improvement Act of 2002." The manual must include plans and procedures for all requirements of 49 CFR § 192 and chapter 480-93 WAC, and any plans or procedures used by an operator's associated contractors.

49 CFR 192.751(a-c) addresses requirements for prevention of accidental ignition.

Finding(s):

This requirement was not found in Agrium's procedure manual.

Response: Section 1, Subsection 8.4 of the existing O&M Procedure in the portion of the Pipeline Specific Operating Manual that addresses accidental ignition, deals with this issue. Additional wording will be added in the New Manual to completely align with the requirements of 49CFR192.751(a-c).

PV No. 26, 27, 28, 29, 32, 33, 36, 37, 38, 39:

These probable violations generally relate to welding requirements. Agrium respectfully submits that the existing O&M manual Procedure 9.06 and the "R Stamp" manual referenced therein meet these requirements. The "R Stamp" manual is based on the ASME Section IX code and is audited and certified by the National Board of Boiler and Pressure Vessel Inspectors. It is true that at the time of the audit, Agrium had no qualified welders on site but this is not unusual as the "R Stamp" is rarely used and has never had to be used for a repair to the gas pipeline. Agrium has employees, or there are contractors available, who would be qualified as commissioned inspectors and who would be able to qualify a welder if needed.

We trust that the above adequately responds to your January 14, 2008 letter. However, we would be pleased to address any concerns or questions which you may have.

Sincerely,

A handwritten signature in black ink, appearing to be "Steve By" or similar, written in a cursive style.