

January 28, 2019

Alberta Utilities Commission
Eau Claire Tower
1400, 600 Third Avenue S.W.
Calgary, Alberta T2P 0G5

**Attention: Mr. Brian Shand, P. Eng.
Director, Gas Facilities**

Dear Mr. Shand:

Re: Pipeline Safety and Loss Management Systems for Gas Utility Pipelines

ATCO has completed a review of the report titled “ATCO Pipelines Safety and Loss Management Systems Review”, and dated December 21, 2018 as prepared for the Alberta Utilities Commission (“AUC”) by Byron Serge of BHTSerge Consulting Ltd.

In this reply, ATCO has responded to each of the 13 Findings/Recommendations in Section 6 of the BGT Serge report. In addition, commentary has been provided with respect to Table 4 and ATCO’s commitment of continual improvement for its Management System (document MS00).

ATCO is committed to providing safe, reliable and cost effective natural gas transmission and distribution utility service to its customers and does so in accordance with numerous acts, standards and regulations, including the AUC Rules and Regulations. ATCO continues to work towards adopting practices compliant with the non-mandatory requirements of CSA Z662 Annex A and CSA Z246.2 (formerly CSA Z731).

This reply includes additional examples of processes and procedures for specific program areas which demonstrate effective implementation of ATCO’s (Safety and Loss) Management System (MS00). As with the initial submission, ATCO respectfully requests that the supplemental documents provided with this correspondence remain confidential. The documentation requested has been provided on a password-protected USB key.

Yours truly,



Nathan Carter
Vice President, Engineering



ATCO RESPONSE TO REVIEW FINDINGS AND RECOMMENDATIONS

1. Process to determine legal requirements

Recommendation: Development and implementation of processes and procedures to identify specific legal requirements for the protection of people, property and the environment (legal registry). These Regulations should be identified at the "shall, must or will" statement. The legal registry will serve as one of the inputs into the SLMS risk management process.

ATCO Response:

ATCO agrees with the recommendation, has already implemented the recommended process and further clarification is provided.

The Regulatory Compliance Process referenced in the supplemental document QS04 outlines ATCO's legal registry process. Employees are assigned ownership of specific legal requirements and are prompted to review them within the appropriate time-period through an automated email. With legal requirements captured in an IT platform, employees can access the information in real-time and update accordingly when legislation changes.

2. Process to determine hazards

Recommendation: Development and implementation of a hazard inventory, specifically for the protection of people, property and the environment. The hazard inventory, along with the legal registry will serve as the inputs into the SLMS risk management process.

ATCO Response:

ATCO agrees with the recommendation, is continuing improvement of its existing process, and provides further clarification.

ATCO's Job Hazard Analysis Specifications are an inventory of those hazards encountered by employees performing certain tasks (SA07-1 to 9). Employees are required to complete Project and Daily Hazard Assessments (forms 0165 and 0197, and associated procedure SA02-1). For unique hazards, employees complete ATCO's Hazard Identification Report (form 0163, and associated procedure SA02-2). These documents are respectfully submitted as supplemental evidence.

In addition, hazards may also be added to ATCO's Risk Registry and would include a description of proposed mitigating measures as part of the overall risk assessment process. The risk management process is discussed further in ATCO's responses to Recommendations #3 and #4.

3. Process for risk management

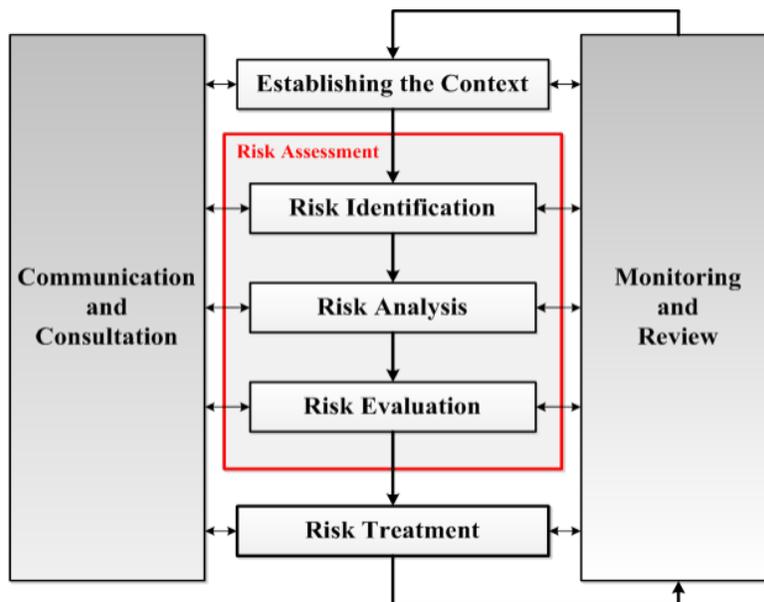
Recommendation: Development and implementation of a risk management process aligned to CSAZ662-15 Annex B, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has already implemented the recommended process and provides further clarification.

In addition to the supplemental evidence provided in response to Recommendation #2, ATCO's risk framework is described in the previously provided Risk Management document, MS500 Figure 3 (shown below). This risk framework aligns with CSA Z662 Annex B and is reiterated throughout organizational procedures. For example, on the Project and Daily Hazard Assessment Form, hazards are risk-ranked both pre- and post-mitigation to ensure hazards are appropriately mitigated and the work is safe to complete. In addition, quarterly reviews of the most serious risks are conducted. A detailed explanation of the process is included in ATCO's response to Recommendation #4.

Figure 3 – Risk Management Process



4. Process to mitigate risks

Recommendation: Development and implementation of processes to mitigate risks, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has already implemented the recommended process and provides further clarification.

ATCO's Risk Management document MS500, along with the additional hazard assessment documents provided, describe how risks are treated (mitigated). The excerpt below from MS500 describes the process that occurs quarterly:

The ATCO Pipelines Operational Risk Management & Compliance Committee establishes its commitment to the development, observance, and improvement of the Risk Management Program by:

- a) identifying, classifying, and prioritizing corporate risks;
- b) determining and applying mitigations and controls appropriate for the corporate risks identified;**

- c) **assigning corporate risks and mitigations identified to an accountable Risk Owner, when necessary;**
- d) **ensure monitoring of the corporate risks and the effectiveness of the applied controls;**
- e) review of the limitations and quanta of insurance held by ATCO Pipelines and its effect on mitigated risks;
- f) documenting the risk management process in the Risk Register;
- g) emphasizing continuous improvement in the Risk Management Program through the use of objectives, goals, measurement, review, and subsequent modifications; and
- h) ensuring the ongoing compliance with all legislation through the constant revision of the Regulatory Compliance Record.

Risk Treatment is further described in MS500 as follows:

Risk treatment involves the implementation and tracking of a mitigation plan. Once a mitigation plan and the applicable controls have been determined and put in place, the residual risk is evaluated using the same approach as the pre-mitigation assessment. Extreme residual risk ratings require that appropriate action plans are in place to mitigate the risk to an acceptable level. High residual risk ratings require consideration of actions and contingency plans in addition to any mitigation. Responsibility for the completion of required actions and plans is assigned and documented on the risk register.

5. Process to set goals and objectives

Recommendation: Development and implementation of processes to set goals and objectives, for procedures specifically for the protection of people, property and the environment.

ATCO Response:

ATCO does not fully agree with the recommendation and provides further clarification. The recommendation suggests goals be set at three specific levels: overall management system, individual programs and individual procedures. ATCO is unclear what is meant by setting goals at the individual procedures level.

CSA Z662 Clause 3.1.2 h) calls for a process for continual improvement, including development of measurable objectives and targets. Non-mandatory guidance in Annex

A.10.1 suggests that the operating company shall establish objectives and targets at relevant functions and levels within the organization. However, CSA does not define relevant levels.

ATCO sets corporate level goals which are a consistent part of the annual business planning process. Corporate level goals and metrics are monitored and reviewed by ATCO's leadership team on a regular basis.

ATCO's Management System document MS00 also assigns responsibilities for: "Establishing goals, metrics and KPIs" to Program Owners; "Participating in the setting of their individual goals and objectives" to all employees; and "Supporting implementation of plans to achieve health and safety, environment, quality and security goals and objectives and recommending initiatives to ensure they are communicated and understood" to Joint Safety, Environment & Quality (SEQ) Teams.

To ensure and encourage continual improvement, MS00 requires that Management Reviews validate the achievement of goals.

6. Process to identify and ensure adequate resources, human resources, contractors, infrastructure and work environment to meet objectives

Recommendation: Development and implementation of processes for resource management, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has implemented a process and provides further clarification.

Responsibility of resource management is assigned to Program Owners, Project Managers, Management and Supervisors in ATCO's MS00 document. These individuals review and secure resources to meet objectives as part of:

- Project identification and business case development
- Project management planning practices
- Annual business plan development

In addition, resourcing requirements are considered in response to the risks identified as part of ATCO's assessment process, described in ATCO's responses to Recommendations #2, #3 and #4.

7. Process to ensure training, competence and evaluation

Recommendation: Development and implementation of processes for training, competence and evaluation, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has implemented processes and provides further clarification.

Training, competency information and evaluation are documented in competency modules and completion is tracked via the Competency Management Information System (CMIS), an Access database. A controlled document does not exist that describes the IT solution implemented to manage competency. ATCO has however implemented controlled Competency forms; examples have been provided as supplemental evidence. (CMIS 1505000 Personal Protective Equipment; CMIS 1502200 Working at Heights; CMIS 1503000 H2S Alive, CMIS 1502300: Wildfire Reporting, CMIS 2501600: Waste Disposal; CMIS 3001200 Gas Regulators 2) ATCO is willing to demonstrate the competency modules and process to provide evidence that competencies have been defined and a consistent process exists.

8. Process to determine required operational controls

Recommendation: Development and implementation of all 13 SLMS processes, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation and has begun to implement the recommended processes. Further clarification is provided below.

ATCO has implemented a Management System (MS00) that incorporates the principles of ISO 9001:2015 and applies the approach to several aspects of operations including health and safety, environmental protection, quality and security. This approach is consistent with the 13 Safety and Loss Management processes.

ATCO's Management System is supported by several Programs. Each Program is assigned to a Program Owner from senior management who is responsible for program execution in accordance with requirements defined in MS00. The role of the Program Owner as outlined in MS00 is similar to that of the Management Representative as defined in CSA Z662.

Each Program has its own set of processes and work procedures. ATCO's numerous documented work procedures ensure consistent execution in accordance with code requirements. Actions are executed by Program Owners applying the requirements of the Management System to their programs.

ATCO has initiated the development of fully documented plan-do-check-act processes for all programs identified as part of the Safety and Loss Management System. In particular, work is progressing on a priority basis for the following areas: Integrity Management, Emergency Management, Damage Prevention, Control Room Management, Water Protection, Security Management, and Environmental Stewardship.

9. Process to ensure effective internal and external communication

Recommendation: Development and implementation of processes to ensure effective internal and external communication, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has already implemented the recommended processes and provides further clarification.

Page 12 of MS00) outlines the internal lines of communication and reporting with defined responsibilities for various roles described on pages 13-17 of MS00. MS00 page 25 also describes several communications tools used to ensure effective communications and provides instructions to Program Owners regarding their responsibilities for communications planning. ATCO's Marketing & Communications group supports Program Owners, and departments within the organization to provide messaging to external stakeholders.

10. Process to ensure document and records management

Recommendation: Development and implementation of processes for documents and records management, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation and has implemented the recommended processes. Please refer to the supplemental documents prefixed with MR for Management of Records.

11. Process to control documents and records

Recommendation: Development and implementation of processes for control of documents and records, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation and has already implemented the recommended processes. Please refer to the supplemental document QMP 100, Document Control.

12. Process to ensure Management of Change

Recommendation: Development and implementation of processes to ensure management of change, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation and has already implemented the recommended process. Please refer to the previously provided document QS05 Management of Change.

13. Process to ensure continual improvement including performance monitoring, conformance monitoring, control of non-conformance and management review.

Recommendation: Development and implementation of processes to ensure continual improvement, specifically for the protection of people, property and the environment.

ATCO Response:

ATCO agrees with the recommendation, has already implemented the recommended process and provides further clarification.



Please refer to the supplemental document DWI 1690 Nonconformance Reporting for more detail on conformance monitoring and non-conformance resolution. MS00 page 34 describes the management review expectations placed upon all Program Owners.

Program Owners have been provided training where expectations for conducting management reviews have been addressed. Further, tools have been developed to assist Program Owners with this process (i.e. ISO-aligned Management Review template).

ATCO RESPONSE TO REVIEW FINDINGS AND RECOMMENDATIONS – TABLE 4

Table 4, *ATCO SLMS - Review Evidence Summary*, of the report suggests several provided documents are “unapproved”. This is not the case. ATCO has simply adopted a newer IT system and document control practice. Printed documents no longer display the approver. All documentation provided has been approved in accordance with ATCO’s document control practices unless specifically noted.

ATCO’S COMMITMENT TO CONTINUAL IMPROVEMENT

ATCO’s natural gas distribution and transmission divisions operate in accordance with the following legislated requirements:

- The Gas Utilities Act
- The Pipeline Act and Pipeline Rules Regulation
- All applicable AUC Rules
- The requirements of AER Directives as referenced in the Pipeline Rules Regulation (aspects of approximately 10 applicable AER directives)
- The mandatory requirements of CSA Standard Z662
- The requirements of AER Directive 77 making non-mandatory CSA Z662 Annex N mandatory for Integrity Management
- Those requirements of AER Directive 71 as referenced in the Pipeline Rules Regulation requiring adherence to these specified Emergency Management activities:



- Maintaining current emergency response plans for the pipeline, as necessary,
- Conducting training exercises in carrying out emergency response plans, and
- Ensuring capabilities associated with spill response.

The organization is also committed to continual improvement by being an active industry partner and implementing best practices where appropriate. Doing so improves ATCO's documented processes and supports the organization's goal of delivering safe, reliable and cost-effective utility service. For repeatability and consistency, ATCO has implemented technology where possible to manage certain functions of the Management System and Programs. For example, ATCO has implemented a new SharePoint-based document control system which has reduced the need for process documentation.

ATCO realizes the benefits of the plan-do-check-act cycle and is continuing to develop processes and procedures to address non-mandatory requirements of CSA Z662 Annex A for Safety and Loss Management Systems and CSA Z246.2 (formerly CSA Z731) for Emergency Management.



Appendix I

Supplemental Documents being Filed

Related Recommendation	Document Name	Document Identifier	Comments
1	Regulatory Compliance Model	QS04	
2	Project Hazard Assessment Form	Form 0165 and SA02-1	
2	Job Hazard Analysis	SA07-1 to 9; Form 0197	
2	Hazard Identification Report	Form 0163 and SA02-2	
7	Competency Management Information System (CMIS)	CMIS 1505000 Personal Protective Equipment; CMIS 1502200 Working at Heights; CMIS 1503000 H2S Alive; CMIS 1502300: Wildfire Reporting; CMIS 2501600: Waste Disposal; CMIS 3001200 Gas Regulators 2	CMIS is not a document – the CMIS system can be demonstrated if desired.
10	MR Program Document	MR prefixed documents	
11	Control of Documents	QMP 100	
13	Nonconformance Reporting	DWI 1690	