



File OF-Surv-OpAud-A159-2014-2015 02
31 March 2016

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

Dear Mr. Kutryk:

**Alliance Pipeline Ltd. (Alliance)
National Energy Board Onshore Pipeline Regulations, (OPR)
Final Audit Report – Environmental Protection Program**

The National Energy Board has completed its Final Audit Report for its audit of Alliance's Environmental Protection Program.

A draft report documenting the Board's evaluation of Alliance's Environmental Protection Program was provided to Alliance on 23 February 2016 for review and comment. On 17 March 2016, Alliance submitted its response.

The Board has considered Alliance's comments and has made changes to the Final Audit Report and its Appendices as it determined to be appropriate.

The findings of the audit are based upon an assessment of whether Alliance was compliant with the regulatory requirements contained within:

- *National Energy Board Act;*
- *National Energy Board Onshore Pipeline Regulations;* and
- Alliance's policies, programs, practices and procedures.

Alliance was required to demonstrate the adequacy and effectiveness of the methods selected and employed within its Programs to meet the regulatory requirements listed above.

The Board has enclosed the Final Audit Report and associated appendices with this letter. The Board will make the Final Audit Report and Appendices public on the Board's website.

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Alliance is required to file a Corrective Action Plan (CAP), which describes the methods and timing for addressing the Non-Compliant findings identified through this audit, for approval by the Board prior to **2 May 2016**.

The Board will make the CAP public and will continue to monitor and assess all of Alliance's corrective actions with respect to this audit until they are fully implemented. The Board will also continue to monitor the implementation and effectiveness of Alliance's Environmental Protection Program and management system through targeted compliance verification activities as a part of its on-going regulatory mandate.

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

Attachment – Final OPR Audit Report documents

National Energy
Board



Office national
de l'énergie

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Calgary, Alberta
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National Energy Board Onshore Pipeline Regulations (OPR)
Final Audit Report of the Alliance Pipeline Ltd. Environmental Protection Program

File OF-Surv-OpAud-A159-2014-2015 02

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31 March 2016

Canada

Executive Summary

Companies regulated by the National Energy Board (NEB or the Board) must demonstrate a proactive commitment to continual improvement in safety, security and environmental protection. Pipeline companies under the Board's regulation are required to incorporate adequate, effective and implemented management systems into their day-to-day operations. These systems and associated technical management programs include the tools, technologies and actions needed to ensure NEB regulated pipelines are safe and remain that way over time. In the public interest, the Board holds companies accountable for safety and environmental outcomes.

This report documents the Board's comprehensive audit of Alliance's management system and Environmental Protection program applicable to its facilities that are regulated by the NEB. The audit was conducted using the *National Energy Board Onshore Pipeline Regulations* (OPR) as amended on 21 April 2013. This amendment clarified the Board's expectations for establishing and implementing a documented management system and Environmental Protection program. Before issuing the amendment, the Board consulted and communicated with its regulated companies with respect to the new requirements; therefore, an implementation grace period was not given when the OPR was promulgated. As a result, when evaluating compliance, this audit did not consider any extra time Alliance may have needed to implement changes associated with the formalized management system requirements. As indicated in the amendments, companies must have an effective and well-documented Environmental Protection program as a key component of their management system.

The Board conducted the audit following its published audit protocol, which identifies five management system elements. These five elements are broken into 17 sub-elements. Each sub-element reflects several regulatory requirements. Companies must comply with 100 per cent of the regulatory requirements of each sub-element being assessed. If a company's program is found to be deficient with respect to any regulatory requirement, the entire sub-element will be found Non-Compliant. This report also includes an assessment of Alliance's management system against the requirements of OPR, section 6.1.

The Board's audit of Alliance's regulated facilities found that Alliance is in the process of establishing and implementing an operational management system that will account for all of the technical programs required by the Board.

The Board noted that Alliance's records indicate that an *Operational Excellence Management System* (OEMS) was implemented in 2008 for the purpose of creating a structured platform for the ongoing identification and active discussion of operational risks. Since then, quarterly OEMS management review meetings have been held to which discussions on current risks, operational matters and regulatory updates are discussed.

Alliance's records also indicated that an internal evaluation of OEMS was conducted in 2012, which resulted in a new iteration of Alliance's management system that is being rebranded as the *Operational Risk Management System (ORMS)*. Alliance indicated that ORMS is "*designed to be an overarching, integrated framework of vision, policies, standards, programs and governance processes to be used by the company in working towards meeting its corporate objectives of "zero safety, pipeline or environmental incidents and compliant, ethical and good neighbor wherever we operate"*".

Regardless of when Alliance started its management system development, the Board identified that Alliance's management system is in a transitory state between the program-based management practices it used in the past and its new management system approach. This has contributed to a Non-Compliant finding related to establishing and implementing a compliant management system. It is important to understand that the Board's finding regarding Alliance's management system primarily reflects the company's stage in developing and applying its management system. It does not necessarily reflect the lack of technical management activities being undertaken to ensure the protection of the environment.

The Board's audit of Alliance's management system included an assessment of the individual management system processes as described in the OPR and the Board's audit protocol. As documented in this report, the Board found that Alliance has documented some of the required processes within its *Operational Risk Management System*. However, the Board found that most of Alliance's management system processes were not sufficiently systematic, explicit, comprehensive and proactive to meet the OPR requirements.

The Board notes that, regardless of the reasons for non-compliance, companies were required to be compliant with the Board's management system requirements when the OPR were updated in 2013. Alliance will need to develop and implement corrective actions to ensure establishment and implementation of its management system.

In addition to evaluating Alliance's management system and associated processes, the Board's audit also included an evaluation of Alliance's Environmental Protection program to determine the applicability and integration of the management system within it and to assess whether Alliance is meeting its requirements to develop, implement and maintain an Environmental Protection program that anticipates, prevents, manages and mitigates conditions that could adversely affect the environment. The Board found that, notwithstanding the documentation issues relating to its management system processes, the processes and practices presently used by Alliance identified the majority, and most significant, of its environmental related hazards and that Alliance has developed and implemented operational controls and inspection and monitoring programs to address these hazards. The Board notes that Alliance's Environmental Protection program has been in existence for many years, thus its related practices and procedures are well established within the organization. The Board did identify some deficiencies not related to management system process development. All of the Board's findings are documented in Appendix I of this audit report.

In analyzing the results of its audit as a whole, the Board notes that it has made a significant number of Non-Compliant findings. The majority of these findings fall into three general categories:

- Non-compliances relating to management system process development;
- Non-compliances relating to Alliance's interpretation of OPR requirements; and
- Non-compliances relating to technical content.

The Board notes that the majority of all of the Non-Compliant findings made by the Board relate to management system process development.

The Board has determined that enforcement actions are not immediately required to address the Non-Compliant findings identified in this audit. Within 30 days of the Final Audit Report being issued, Alliance must develop and submit a Corrective Action Plan for Board approval. The Corrective Action Plan must detail how Alliance intends to resolve the non-compliances identified by this audit. The Board will assess implementation of the corrective actions to confirm they are completed in a timely manner and applied consistently across Alliance's regulated system. The Board will also continue to monitor the overall implementation and effectiveness of Alliance's management system and Environmental Protection program through targeted compliance verification activities as part of its ongoing regulatory mandate.

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1.0 Audit Terminology and Definitions

(The Board has applied the following definitions and explanations in measuring the various requirements included in this audit. They follow or incorporate legislated definitions or guidance and practices established by the Board, where available.)

Adequate: The management system, programs or processes complies with the scope, documentation requirements and, where applicable, the stated goals and outcomes of the NEB Act, its associated regulations and referenced standards. Within the Board's regulatory requirements, this is demonstrated through documentation.

Audit: A systematic, documented verification process of objectively obtaining and evaluating evidence to determine whether specified activities, events, conditions management systems or information about these matters conform to audit criteria and legal requirements and communicating the results of the process to the company.

Compliant: A program element meets legal requirements. The company has demonstrated that it has developed and implemented programs, processes and procedures that meet legal requirements.

Corrective Action Plan: A plan that addresses the non-compliances identified in the audit report and explains the methods and actions that will be used to correct them.

Developed: A process or other requirement has been created in the format required and meets the described regulatory requirements.

Effective: A process or other requirement meets its stated goals, objectives, targets and regulated outcomes. Continual improvement is being demonstrated. Within the Board's regulatory requirements, this is primarily demonstrated by records of inspection, measurement, monitoring, investigation, quality assurance, audit and management review processes as outlined in the OPR

Established: A process or other requirement has been developed in the format required. It has been approved and endorsed for use by the appropriate management authority and communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. The company has demonstrated that the process or other requirement has been implemented on a permanent basis. As a measure of "permanent basis", the Board requires the requirement to be implemented, meeting all of the prescribed requirements, for three months.

Finding: The evaluation or determination of the compliance of programs or elements in meeting the requirements of the *National Energy Board Act* and its associated regulations.



Implemented: A process or other requirement has been approved and endorsed for use by the appropriate management authority. It has been communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. Staff and others working on behalf of the company have demonstrated use of the process or other requirement. Records and interviews have provided evidence of full implementation of the requirement, as prescribed (i. e. the process or procedures are not partially utilized).

Inventory: A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.

List: A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.

Maintained: A process or other requirement has been kept current in the format required and continues to meet regulatory requirements. With documents, the company must demonstrate that it meets the document management requirements in OPR, section 6.5 (1)(o). With records, the company must demonstrate that it meets the records management requirements in OPR, section 6.5 (1)(p).

Management System: The system set out in OPR sections 6.1 to 6.6. It is a systematic approach designed to effectively manage and reduce risk, and promote continual improvement. The system includes the organizational structures, resources, accountabilities, policies, processes and procedures required for the organization to meet its obligations related to safety, security and environmental protection.

(The Board has applied the following interpretation of the OPR for evaluating compliance of management systems applicable to its regulated facilities.)

As noted above, the NEB management system requirements are set out in OPR sections 6.1 to 6.6. Therefore, in evaluating a company's management system, the Board considers more than the specific requirements of section 6.1. It considers how well the company has developed, incorporated and implemented the policies and goals on which it must base its management system as described in section 6.3; its organizational structure as described in section 6.4; and considers the establishment, implementation, development and/or maintenance of the processes, inventory and list described in section 6.5(1). As stated in sections 6.1(c) and (d), the company's management system and processes must apply and be applied to the programs described in section 55.

Non-Compliant: A program element does not meet legal requirements. The company has not demonstrated that it has developed and implemented programs, processes and procedures that meet the legal requirements. A corrective action plan must be developed and implemented.



Practice: A repeated or customary action that is well understood by the persons authorized to carry it out.

Procedure: A documented series of steps followed in a regular and defined order thereby allowing individual activities to be completed in an effective and safe manner. A procedure also outlines the roles, responsibilities and authorities required for completing each step.

Process: A documented series of actions that take place in an established order and are directed toward a specific result. A process also outlines the roles, responsibilities and authorities involved in the actions. A process may contain a set of procedures, if required.

(The Board has applied the following interpretation of the OPR for evaluating compliance of management system processes applicable to its regulated facilities.)

OPR section 6.5(1) describes the Board's required management system processes. In evaluating a company's management system processes, the Board considers whether each process or requirement: has been established, implemented, developed or maintained as described within each section; whether the process is documented; and whether the process is designed to address the requirements of the process, for example a process for identifying and analyzing all hazards and potential hazards. Processes must contain explicit required actions including roles, responsibilities and authorities for staff establishing, managing and implementing the processes. The Board considers this to constitute a common 5 w's and h approach (who, what, where, when, why and how). The Board recognizes that the OPR processes have multiple requirements; companies may therefore establish and implement multiple processes, as long as they are designed to meet the legal requirements and integrate any processes linkages contemplated by the OPR section. Processes must incorporate or contain linkage to procedures, where required to meet the process requirements.

As the processes constitute part of the management system, the required processes must be developed in a manner that allows them to function as part of the system. The required management system is described in OPR section 6.1. The processes must be designed in a manner that contributes to the company following its policies and goals established and required by section 6.3.

Further, OPR section 6.5(1) indicates that each process must be part of the management system and the programs referred to in OPR section 55. Therefore, to be compliant, the process must also be designed in a manner which considers the specific technical requirements associated with each program and is applied to and meets the process requirements within each program. The Board recognizes that single process may not meet all of the programs; in these cases it is acceptable to establish governance processes as long as they meet the process requirements (as described above) and direct the program processes to be established and implemented in a consistent manner that allows for the management system to function as described in 6.1.

Program: A documented set of processes and procedures designed to regularly accomplish a result. A program outlines how plans, processes and procedures are linked; in other words, how each one contributes to the result. A company regularly plans and evaluates its program to check that the program is achieving the intended results.

(The Board has applied the following interpretation of the OPR for evaluating compliance of programs required by the NEB regulations.)

The program must include details on the activities to be completed including what, by whom, when, and how. The program must also include the resources required to complete the activities.

2.0 Abbreviations

Alliance: Alliance Pipeline Ltd.

CAP: Corrective Action Plan

CSA Z662-11: CSA Standard Z662 entitled *Oil and Gas Pipeline Systems*, 2011 version

GOT: Goals, Objectives and Targets

EMS: Alliance's Environmental Management System

NEB: National Energy Board

OPR: *National Energy Board Onshore Pipeline Regulations*

ORMS: Alliance's Operational Risk Management System

EPP: Environmental Protection program

3.0 Introduction: NEB Purpose and Framework

The NEB's purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. In order to assure that pipelines are designed, constructed, operated and abandoned in a manner that ensures: the safety and security of the public and the company's employees; safety of the pipeline and property; and protection of the environment, the Board has developed regulations requiring companies to establish and implement documented management systems applicable to specified technical management and protection programs. These management systems and programs must take into consideration all applicable requirements of the NEB Act and its associated regulations. The Board's management system requirements are described within OPR, sections 6.1 through 6.6.

To evaluate compliance with its regulations, the Board audits the management system and programs of regulated companies. The Board requires each regulated company to demonstrate that they have established and implemented, adequate and effective methods for proactively identifying and managing hazards and risks.

As part of the audit, the Board reviews the compliance and incident history of the company as recorded in NEB files. This helps the Board determine the appropriate scope for the audit. During the audit, the Board reviews documentation and samples records provided by the company in its demonstration of compliance and interviews corporate and regionally-based staff.

The Board also conducts separate but linked technical inspections of a representative sample of company facilities. This enables the Board to evaluate the adequacy, effectiveness and implementation of the management system and programs. The Board bases the scope and location of the inspections on the needs of the audit. The inspections follow the Board's standard inspection processes and practices. Although they inform the audit, inspections are considered independent of the audit. If unsafe or non-compliant activities are identified during an inspection, they are actioned as set out by the Board's standard inspection and enforcement practices.

After completing its field activities, the Board develops and issues a Final Audit Report. The Final Audit Report outlines the Board's audit activities, provides evaluations of the company's management system and programs, identifies deficiencies and communicates compliance findings. The Final Audit Report follows the format of the Board's published Audit Protocol. Once the Board issues the Final Audit Report, the company must submit and implement a Corrective Action Plan to address all Non-Compliant findings. Final Audit Reports are published on the Board's website. The audit results are integrated into NEB's risk-informed lifecycle approach to compliance assurance.



4.0 Background

Alliance operates approximately 1,600 km of pipeline in three Canadian provinces. These pipeline facilities include mainline and lateral compressor stations, mainline block valves and associated operational assets. All of these facilities are within the definition of a “pipeline” as included in the NEB Act. Alliance also has a considerable amount of infrastructure in the United States, which completes its North American system. Alliance’s system allows it to transport rich natural gas from the Western Canadian Sedimentary Basin and the Williston Basin to end-users in the United States Midwest and other downstream markets. In order for Alliance to operate its pipelines effectively, it has developed a management structure that reflects its safety and security management, and environmental obligations, as well as its corporate, national, and regional needs.

For Alliance facility information, refer to Appendix II of this report.

During audit planning, company staff indicated that Alliance operates its pipelines and facilities using a common management system and technical programs. In order to effectively evaluate compliance of such an expansive system within a reasonable timeframe, the Board chose to conduct individual, comprehensive audits of Alliance’s required technical programs and management system. This report documents one of five management system and program audits. The audits are titled:

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

Audit results confirmed that Alliance operates its facilities using a common organizational structure to implement a common governance management system that applies to all of its business and operational activities. Some findings are therefore similar in each audit and the individual audit reports reflect this.

5.0 Audit Objectives and Scope

The objective of the audit was to determine the establishment and implementation of Alliance’s management system and the adequacy and effectiveness of its Environmental Protection program. Alliance was audited against the requirements contained within the following:

- *National Energy Board Act;*
- *National Energy Board Onshore Pipeline Regulations; and*
- Alliance’s policies, programs, practices and procedures.

This audit was conducted using the *National Energy Board Onshore Pipeline Regulations* (OPR) as amended on 21 April 2013. This amendment clarified the Board's expectations for establishing and implementing a documented management system and Environmental Protection program. Before issuing the amendment, the Board consulted and communicated with its regulated companies with respect to the new requirements; therefore, an implementation grace period was not given when the OPR was promulgated. As a result, when evaluating compliance, this audit did not consider any extra time Alliance may have needed to implement changes.

6.0 Audit Process and Methodology

In undertaking this audit, the Board has applied its standard audit practice following its published protocols. The Board's standard practice and audit activities include:

- Formal notification of the Board's intent to audit by letter;
- Interactive planning processes with the company;
- Information gathering;
- Documentation and record review;
- Program presentations by company personnel and interviews with company personnel;
- Associated inspections and facility reviews;
- Close-out discussions and meetings;
- Developing and Issuing Draft Audit Report to Alliance;
- Developing, finalizing and issuing the Final Audit Report;
- Reviewing and approving any required Corrective Action Plans;
- Reviewing implementation of Corrective Action Plans; and
- Issuing closure letters.

These audit activities allow the company to demonstrate whether its management system and programs comply. They also allow the Board to evaluate the company with respect to: assuring compliance to regulatory requirements; and assuring appropriate safety, security and environmental outcomes as described in OPR, section 6.

As noted, Alliance uses a common management system and Environmental Protection program and at the time of the audit divided its Canadian assets into four operational regions: Grande Prairie, Whitecourt/Morinville, Kerrobert, and Regina. The Board therefore developed its audit plan to evaluate Alliance's management system and Environmental Protection program and to assure that it was appropriate to manage and applied to all of its regulated facilities regardless of location. To this end, the Board conducted interviews, inspections and documentation and record reviews in each region as well as the Calgary office. It is the Board's expectation that any audit Non-Compliant findings made and corrective actions required by the Board must be applied across all of Alliance's Board regulated systems.

7.0 Audit Activities

The Board informed Alliance of its intent to audit its NEB regulated facilities in a letter dated 24 June 2014. Following the issuance of that letter, Board audit staff met with Alliance staff on a regular basis to arrange and coordinate this audit. The Board also provided Alliance with an information guidance document to help Alliance prepare for the audit as well as to provide access to documentation and records to demonstrate its compliance. Alliance established a digital access portal for Board staff to review documentation and records.

On 27 April 2015, an opening meeting was conducted with representatives from Alliance in Calgary, Alberta to confirm the Board's audit objectives, scope and process. The opening meeting was followed by Calgary office interviews from 27 April to 1 May 2015, and various field level audit activities as described in the table below.

Environmental Protection Program Audit Office and Field Activities
<ul style="list-style-type: none"> • Audit opening meeting (Calgary, AB) – 27 April 2015 • Calgary office interviews (Calgary, AB) – 27 April -1 May 2015 • Field verification activities: <ul style="list-style-type: none"> • Interviews – Grande Prairie, AB – 11-12 May 2015 • Interviews – Morinville, AB – 13 - 14 May 2015 • Interviews – Regina, SK – 25 - 28 May 2015 • Calgary office interviews (Calgary, AB) – 22 - 26 June 2015 • Audit pre-close-out meeting of information gaps (Calgary, AB) – 30 July - 6 August 2015 • Audit close-out meeting (Calgary, AB) – 30 September 2015

Throughout the audit, Board audit staff gave Alliance daily summaries with action items, where required.

From 30 July to 6 August 2015, the Board held an audit pre-close-out meeting with Alliance. At this meeting Board staff and Alliance staff discussed potential deficiencies identified during field activities and discussed additional information that could be of value to the Board prior to compiling its draft audit report. An audit close-out meeting was held on 30 September 2015 to provide Alliance with a description of the recommendations that staff would be bringing to the Board for decision.



8.0 Management System Evaluation

OPR, section 6.1 outlines the Board's management system requirements as follows:

A company shall establish, implement and maintain a management system that

- (a) is systematic, explicit, comprehensive and proactive;
- (b) integrates the company's operational activities and technical systems with its management of human and financial resources to enable the company to meet its obligations under section 6;
- (c) applies to all the company's activities involving the design, construction, operation or abandonment of a pipeline and to the programs referred to in section 55;
- (d) ensures coordination between the programs referred to in section 55; and
- (e) corresponds to the size of the company, to the scope, nature and complexity of its activities and to the hazards and risks associated with those activities.

In assessing Alliance's management system the Board applied the definitions and guidance as described in Section 1.0 Audit Terminology and Definitions of this report. The Board's audit of Alliance's regulated facilities found that Alliance has not established, implemented and maintained a management system that meets the requirements of the OPR. Currently, Alliance relies on their protection programs practices and activities to ensure that it meets the Board's requirements to ensure the safety and security of the people, the pipeline and the protection of the environment. This is evident in Appendix I as the majority of the Non-Compliant findings relate to a lack of a documented management system process. While Alliance has established and implemented certain processes that could be considered part of their management system, it was limited to these processes and does account for all of the requirements set forth in OPR, sections 6.1 and 6.5(1). As a result, the Board has found Alliance Non-Compliant with OPR, section 6.1(a) to (e).

The Board noted that Alliance's records indicate that an *Operational Excellence Management System* (OEMS) was implemented in 2008 for the purpose of creating a structured platform for the ongoing identification and active discussion of operational risks. Since then, quarterly OEMS management review meetings have been held to which discussions on current risks, operational matters and regulatory updates are discussed.

Alliance's records also indicated that an internal evaluation of OEMS was conducted in 2012, which resulted in a new iteration of Alliance's management system that is being rebranded as the *Operational Risk Management System* (ORMS). Alliance indicated that ORMS is "*designed to be an overarching, integrated framework of vision, policies, standards, programs and governance processes to be used by the company in working towards meeting it's corporate objectives of "zero safety, pipeline or environmental incidents and compliant, ethical and good neighbor wherever we operate"*".

Regardless of when Alliance started its management system development, the Board's audit identified that Alliance's management system was in a transitory state between the program-based management practices it used in the past and its new management system approach.

In determining Alliance's compliance with respect to establishing and implementing a management system, the Board reviewed the audit results of Alliance's Environmental Protection program processes along with the audit results of other Board program audits completed concurrently. This aided the Board in evaluating Alliance's systematic practices and deficiencies.

The Board found that Alliance has not met the requirements for establishing and implementing a management system. For the most part, this reflected the transitory nature of its management system as applied to the Environmental Protection program. The issues related to designing and establishing processes as described below and in Appendix I also contributed to the Board's Non-Compliant finding. This is especially true with respect to Alliance's Quality Assurance Program and auditing process design.

The Board notes that it is important to understand that the Board's management system Non-Compliant finding reflects the company's deficiencies in developing and applying its management system. It does not necessarily reflect the lack of technical management activities being undertaken to ensure the protection of the environment.

The Board notes that, regardless of the reasons for non-compliance, companies were required to be compliant with the Board's management system requirements when the OPR were updated in 2013. Alliance will need to develop and implement corrective actions to ensure establishment and implementation of its management system.

As part of Alliance's Corrective Action Plan to address its management system Non-Compliant finding, the Board is of the view that, Alliance must develop and implement a compliant document control processes that meet OPR requirements for all new and existing documents in the company's management system. This will serve to assure that the management system processes are designed appropriately and that existing or referenced documents fully meet the OPR requirements.

Based on the Board's evaluation of Alliance's management system against the OPR requirements, the Board has determined that Alliance is Non-Compliant with section 6.1. Alliance will have to develop a Corrective Action Plan to address the described deficiencies.

9.0 Program Summary

NEB-regulated companies must demonstrate a proactive commitment to continual improvement in safety, security, and environmental protection. Pipeline companies under the Board's regulation are required to incorporate environmental protection programs into their day-to-day operations. These programs must ensure that pipelines are operated in a manner that protects the environment.

During the audit Alliance indicated that the Board's required Environmental Protection program requirements correspond to the company's Environmental Management System. The Board has identified that primary responsibility for Alliance's Environmental Protection program resides within its Environmental department. This department is comprised of subject matter experts who are responsible for providing environmental leadership, promotion and direction in organizational activities through management system development and maintenance, stewardship, technical knowledge and support for Alliance employees and contractors.

The Board identified that responsibility for implementation of the Environmental Protection program resides with a number Alliance's functional departments. The Board therefore considered the sum of the Environmental department and all other departments' environmental protection related responsibilities as comprising the Environmental Protection program for the purposes of this audit.

The Board found that the practices presently used by Alliance identified the majority, and most significant, of its hazards and that Alliance has developed and implemented the operational controls and inspection and monitoring programs to address these hazards. The Board also found that Alliance's Environmental Protection program has been in existence for many years, thus the environmental related practices and procedures are well established within the organization. Notwithstanding these practices and procedures, the audit identified several non-compliant findings. The majority of the findings fall into three general categories:

- Non-compliances relating to management system process development;
- Non-compliances relating to Alliance's interpretation of OPR requirements; and
- Non-compliances relating to technical content.

The Board has determined that no enforcement actions are immediately required to address the Non-Compliant findings identified in this audit. Within 30 days of the Final Audit Report being issued, Alliance must develop and submit a Corrective Action Plan for Board approval detailing how it intends to resolve Non-Compliances identified by this audit. The Board will assess the implementation of the corrective actions to confirm that they are completed in an expedient manner, and on a system-wide basis. The Board will also continue to monitor the overall implementation and effectiveness of Alliance's management system and Environmental Protection program through targeted compliance verification activities as a part of its on-going regulatory mandate.

10.0 Summary of Audit Findings

The Board conducted the audit following its published Audit Protocol, which identifies five Management System elements. These five elements are broken into 17 sub-elements. Each sub-element reflects several regulatory requirements. Companies must comply with 100 per cent of the regulatory requirements of each sub-element being assessed. If a company's program is deficient in any regulatory requirement, the entire sub-element will be found non-compliant.

The company will have to develop a corrective action plan to demonstrate to the Board that appropriate actions will be taken to achieve full compliance.

The following summary is a high-level overview of the Board's audit findings for Alliance's Environmental Protection program based on information provided by Alliance during the audit.

Details of how each of the audited elements impacts the Environmental Protection program and a full description of the Board's assessment for each of its Management System sub-elements can be found in Appendix I of this report.

Element 1.0 – Policy and Commitment

Sub-element 1.1 – Leadership and Accountability

This sub-element of the audit requirements states that the company must appoint an Accountable Officer and notify the Board of the appointment.

Alliance had submitted a written notice to the NEB indicating that it had appointed an Accountable Officer. In its submission, Alliance confirmed that its Accountable Officer had authority over the human and financial resources required to meet the Board's substantive expectations.

Based on the information provided by Alliance, the Board has not identified any non-compliance issues. The Board has therefore assessed this sub-element as Compliant.

Sub-element 1.2 – Policy and Commitment Statements

This sub-element of the audit requirements states that the company must have documented policies and goals to ensure the safety and security of the public, workers, and the pipeline and ensure protection of property and the environment. Further, as these policies and goals are to be used to establish and implement the management and programs, the Board requires that the policies and goals be explicit from the perspective of design, content and communication.

The Board found that Alliance had corporate and program level policies and goals that related to the Environmental Protection program.

Notwithstanding the many policies, programs and initiatives that Alliance had developed to direct and support its Environmental Protection program, the Board identified non-compliance in the Policy and Commitment Statements sub-element.

Alliance did not demonstrate that it had a policy that was fully explicit on the internal reporting of hazards, potential hazards, incidents and near misses (in that there was no pointed reference to "potential hazards"). Furthermore, Alliance's policy statement did not fully describe the conditions under which a person making a report will be granted immunity from disciplinary action (in that there was no explanation as to what constituted good-faith reporting).



Based on the Board's evaluation of Alliance's management system and the Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Element 2.0 – Planning

Sub-element 2.1 – Hazard Identification, Risk Assessment and Control

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for identifying and analyzing all hazards and potential hazards, assessing the degree of risk associated with the hazards, and implementing control measures to minimize or eliminate risk.

The Board also found that while a management system deficiency currently exists, the Board did verify that hazards are being identified and controlled through established Environmental Protection program level practices.

The Board found that Alliance did not demonstrate that it has established and maintained an inventory of hazards and potential hazards at the management system level.

The Board also found that Alliance established and maintained an inventory at the Environmental Protection program level. However, this inventory did not include potential hazards.

The Board found that Alliance has not established and implemented a documented management system for the evaluation and managing of the risks associated with the identified hazards.

The Board also found that while a management system deficiency currently exists, the Board did verify that risks are being evaluated and managed through established Environmental Protection program level practices.

The Board found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 2.2 – Legal Requirements

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for identifying and monitoring compliance with all legal requirements applicable to the company. The company must also maintain a list of the legal requirements that apply to it.

The Board found that Alliance has not established and implemented a documented management system and Environmental Protection program process for identifying and monitoring compliance with applicable legal requirements and thus is in non-compliance with OPR, section 6.5(1)(g).

The Board also found that Alliance has established and maintained a legal list that includes its federal and provincial requirements. However, this legal list does not include referenced standards and thus is non-compliant with OPR, section 6.5(1)(h).

The Board found that Alliance's Environmental Protection program practices does include the identification and monitoring changes to applicable environmental legal requirements.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 2.3 - Goals, Objectives and Targets

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for developing and setting goals, objectives and specific targets for the risks and hazards associated with the company's facilities and activities.

The Board found that Alliance has not established and implemented a management system and Environmental Protection program process for setting objectives and specific targets as required by the OPR. However, by practice, Alliance has developed management system and Environmental Protection program goals, objectives, and targets.

The Board found that Alliance has developed goals for the prevention of ruptures, fatalities and injuries but has not developed goals for the response to incidents and emergency situations. The Board also found that Alliance goals for the prevention of liquid and gas releases is limited to its pipeline right-of-way and does not include its aboveground facilities.

The Board also found that Alliance has based its management system and Environmental Protection program on these goals.

The Board found that Alliance has established performance measures to assess the company's success in achieving its goals, objectives and targets.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 2.4 – Organizational Structure, Roles and Responsibilities

This sub-element of the audit requirements states that the company must have a documented organizational structure that enables it to meet the requirements of its management system. The company must also complete an annual documented evaluation to demonstrate that there is adequate human resourcing to meet these obligations.

The Board found that Alliance has a documented organizational structure and communicates the roles, responsibilities and authorities of the officers and employees at all levels of the company.

The Board also found that Alliance did not demonstrate that the human resources allocated to establishing, implementing and maintaining its management system are sufficient to meet the requirements of the management system and to meet the company's obligations under OPR, section 6.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Element 3.0 – Implementation

Sub-element 3.1 – Operational Control-Normal Operations

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for developing and implementing corrective, mitigative, preventive and protective controls for the hazards and risks identified in Elements 2.0 and 3.0.

The Board found that, at the Environmental Protection program level, Alliance has developed and implemented controls for the identified hazard and risks. However, Alliance could not demonstrate that it has communicated these controls to those who may be exposed to the risks, most notably being its operational staff.

The Board also found that Alliance has not established and implemented a documented management system process for developing and implementing controls and thus is in non-compliance with OPR, section 6.5(1)(f).

The Board found that Alliance has not established and maintained a documented management system process for coordinating and controlling the operational activities of employees or other people working with or on behalf of the company and thus is non-compliant with OPR, section 6.5(1)(q).

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 3.2 - Operational Control-Upset or Abnormal Operating Conditions

This sub-element of the audit requirements states that the company must establish and maintain plans to identify the potential for upset or abnormal operating conditions, accidental releases, incidents and emergency situations. This sub-element also included requirements for companies to establish and implement a process for developing contingency plans for abnormal events that may occur during construction, operation, maintenance, abandonment or emergency situations.

The Board found that, subject to its non-compliant finding relating to its management system process with respect to developing controls (Sub-element 3.1 *Operational Control – Normal Operations* above), Alliance has developed controls that address its identified environmental hazards and risks relating to upset and abnormal operating conditions.

The Board found that Alliance has developed and documented many contingency plans.

The Board also found that Alliance had not established a management system or Environmental Protection program level process for developing contingency plans that meets the Board's requirements.

Based on the Board's evaluation of Alliance's management system and the Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 3.3 - Management of Change

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for identifying and managing any change that could affect safety, security or protection of the environment.

The Board found that Alliance demonstrated that it had established and implemented a number of management of change processes, procedures and practices to document and manage change.

However, these processes, practices and procedures function independently of one another and thus are not systematic.

The Board also found that Alliance's current management of changes activities do not account for changes to the company's organizational structure as required by the OPR.

The Board found that Alliance has established a management of change practice at the Environmental Protection program level but it does not account for all the changes that are to be managed as required by the OPR.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 3.4 - Training, Competence and Evaluation

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for developing competency requirements and training programs for its employees and contractors. These competency requirements and training programs must enable employees and contractors to perform their duties in a manner that is safe, ensures the security of the pipeline, and protects the environment.

The Board has found that Alliance has not established and implemented a documented management system and Environmental Protection program process for developing competencies and training programs.

The Board also found that Alliance has developed and implemented training programs for all employees and has developed competencies for its field maintenance technicians. However, these competencies are limited to matters of safety and do not include environmental protection and emergency management considerations.

The Board has found that Alliance has established and implemented a documented management system and Environmental Protection program process for verifying the competency and training of certain employees within its organization. However, this process does not include all employees or other persons working with or on behalf of the company as required in the OPR.

The Board has also found that Alliance has not established and implemented a documented management system and Environmental Protection program process to make employees and other persons working with or on behalf of the company aware of their responsibilities.



The Board found that Alliance has developed a training program as per the requirements of OPR, section 46; however, there are certain environmental practices and procedures, such as vegetation management, of which a one-time only training session was provided. As ensuring adequate vegetation management at Alliance's aboveground facilities and pipeline right-of-way would be considered a core environmental activity for Alliance's operation staff, the Board found that a one-time training session would not be sufficient. Additionally, the identification of potential reclamation and vegetation management issues and implementation of corrective actions are being completed by Alliance representatives who have not received any formal training on these matters.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 3.5 - Communication

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for internally and externally communicating safety, security and environmental protection information.

The Board found that Alliance communicates throughout its organization and externally as a matter of organized practice.

The Board also found that Alliance has not established and implemented an internal and external communication process that meets the OPR requirements.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 3.6 – Documentation and Document Control

This sub-element of the audit requirements states that the company must have an established, implemented and effective process for identifying and managing the documents required to meet the company's obligations for conducting activities in a manner that ensures the safety and security of the public, company employees and the pipeline, and that protects property and the environment.

The Board found that Alliance had established and implemented a documented management system and Environmental Protection program process for preparing, reviewing, revising and controlling its documents. However, this process does not include defined revision schedules for its documents and thus is in non-compliance with OPR, section 6.5(1)(o).

The Board also found that Alliance had not established and implemented a documented management system and Environmental Protection program process for identifying the documents required for the company to meet its obligations under OPR section 6 and thus is in non-compliance with OPR, section 6.5(1)(n).

The Board found that Alliance has developed documents that would be typically expected for a company of its size and to the scope, nature and complexity of its activities.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Element 4.0 – Checking and Corrective Action

Sub-element 4.1 – Inspection, Measurement and Monitoring

This sub-element of the audit requirements states that the company must establish and implement an effective process for inspecting and monitoring its activities and facilities. This is so that the company can evaluate the adequacy and effectiveness of the protection programs and take corrective and preventive actions if deficiencies are identified.

The Board found that Alliance has not established and implemented a documented management system process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the Environmental Protection program as required by the OPR.

The Board also found that Alliance did not demonstrate that it was inspecting to its legal requirements as required by the OPR.

The Board found that Alliance was taking corrective and preventive actions for the deficiencies identified through its Environmental Protection program inspections.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

The Board also found that Alliance had not developed surveillance and monitoring program that meets the requirement of OPR section 39.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.



Sub-element 4.2 - Investigating and Reporting Incidents and Near-Misses

This sub-element of the audit requirements states that the company must establish and implement an effective process for reporting hazards, potential hazards, incidents and near-misses, and for taking corrective and preventive actions to address them. This includes investigating if the hazards, potential hazards, incidents and near-misses have or could have resulted in the safety and security of the public, employees and the pipeline, and protection of property and the environment. This sub-element also requires a company to have an established, maintained and effective data management system for monitoring and analyzing the trends in hazards, incidents and near-misses.

The Board found that Alliance had established and was maintaining a data management system for monitoring and analyzing the trends in its hazards, incidents, and near-misses.

The Board also found that Alliance has not established and implemented a management system and Environmental Protection program 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.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 4.3 - Internal Audit

This sub-element of the audit requirements states that a company must establish and implement an effective quality assurance program for its management system and for each protection program, including a process for conducting regular inspections and audits and for taking corrective and preventive actions if deficiencies are identified.

The Board found that Alliance was undertaking many of the activities that are normally associated with a quality assurance program. The Board found, however, that Alliance had not organized them within a program as required by the OPR.

The Board also found that Alliance has not established and implemented a documented management system and Environmental Protection program process for conducting audits in accordance with section 53 of the OPR.

The Board found that Alliance was not able to demonstrate that it has undertaken audits consistent with OPR sections 53 and 55 requirements.



Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Sub-element 4.4 – Records Management

This sub-element states that a company must establish and implement an effective process for generating, retaining, and maintaining records that document the implementation of the management system and its protection programs.

The Board found that Alliance had implemented consistent records management practices to document the implementation of its management system and Environmental Protection program.

The Board also found that Alliance has not established and implemented a management system and Environmental Protection program process that meets the OPR requirements.

Based on the Board's evaluation of Alliance's Management System and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Element 5.0 – Management Review

Sub-element 5.1 - Management Review

This sub-element states that a company must establish and implement an effective process for conducting an annual management review of the management system and each protection program and for ensuring continual improvement in meeting the company's obligations. This sub-element also requires a company to complete an annual report for the previous calendar year, signed by the accountable officer, describing the performance of the company's management system in meeting its obligations.

The Board found that Alliance had developed processes for and undertaken activities relating to its Management Review responsibilities.

The Board also found that Alliance's processes did not meet all of the requirements outlined in the OPR.

The Board also found that some of the Non-Compliant findings in this audit are related to sub-elements where Alliance's Senior Management has responsibilities to ensure that management direction, oversight and formal monitoring are occurring.



Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

11.0 Conclusions

Companies regulated by the NEB must demonstrate a proactive commitment to continual improvement in safety, security and environmental protection. Pipeline companies under the Board's regulation must establish and implement effective management systems and incorporate environmental protection programs into their day-to-day operations. These programs must ensure that pipelines are operated in a manner that protects the environment.

During this audit Alliance was required to demonstrate the adequacy and effectiveness of its management system and Environmental Protection program to the Board. The Board reviewed documentation and records provided by Alliance, conducted inspections and interviewed Alliance staff.

Based on its review, the Board found that Alliance was in a transitory period in terms of establishing and implementing its management system. Additionally, the Board's audit found that some of Alliance's management system processes were not designed in a manner that allowed its management system to meet the requirements of OPR section 6.1. Consequently, the Board has found that Alliance's management system is Non-Compliant.

The Board has found that Alliance's Environmental Protection program reflected the transitory nature of Alliance's management system and process issues as noted. The Board's audit found, however, and most importantly, that, regardless of the design and implementation status of its management system, Alliance's Environmental Protection program and the processes and practices being used, identified and controlled the majority and most significant of the company's environmental related hazards and risks.

In analyzing Alliance's Non-Compliant findings the Board has found that most of them fall into three general categories:

- Non-compliances relating to management system process development;
- Non-compliances relating to Alliance's interpretation of OPR requirements; and
- Non-compliances relating to technical content

The Board notes that the majority of all of the Non-Compliant findings made by the Board relate to management system process development.



The Board has determined that while no enforcement actions are immediately required to address these non-compliant findings, as per the Board's standard audit practice, Alliance must develop and submit a corrective action plan describing its proposed methods to resolve the non-compliances identified and the timeline in which corrective actions will be completed. Alliance will be required to submit its corrective action plan for approval within 30 days of the Final Audit Report being issued by the Board.

The Board will assess the implementation of all of Alliance's corrective actions to confirm they are completed in a timely manner and on a system wide basis until they are fully implemented. The Board will also continue to monitor the overall implementation and effectiveness of Alliance's Environmental Protection program and management system as a whole through targeted compliance verification activities as a part of its ongoing regulatory mandate.

The Board will make its Final Audit Report and Alliance's approved corrective action plan public on the Board's website.

APPENDIX I:

ENVIRONMENTAL PROTECTION PROGRAM AUDIT EVALUATION TABLEⁱ

1.0 POLICY AND COMMITMENT

1.1 Leadership Accountability

Expectations: The company shall have an accountable officer appointed who has the appropriate authority over the company's human and financial resources required to establish, implement and maintain its management system and protection programs, and to ensure that the company meets its obligations for safety, security and protection of the environment. The company shall have notified the Board of the identity of the accountable officer within 30 days of the appointment and ensure that the accountable officer submits a signed statement to the Board accepting the responsibilities of their position.

References: OPR section 6.2

Assessment:

Accountable Officer

The Board requires the company to appoint an accountable officer. The accountable officer must be given appropriate authority over the company's human and financial resources for ensuring that the company meets its obligations for safety, security and protection of the environment.

On 10 May 2013, Alliance submitted written notice to the Board indicating that its President and Chief Executive Officer, Terrance Kutryk, had been appointed as the accountable officer for Alliance Pipeline Ltd. The audit team verified that there have been no changes in the accountable officer for Alliance Pipeline Ltd. at the time of the audit. In its submission, Alliance confirmed that its accountable officer has the authority over the human and financial resources required to meet the Board's substantive expectations.

Summary

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Compliant with this sub-element.

Compliance Status: Compliant

1.2 Policy and Commitment Statements

Expectations: The company shall have documented policies and goals intended to ensure activities are conducted in a manner that ensures the safety and security of the public, workers, the pipeline, and protection of property and the environment. The company shall base its management system and protection programs on those policies and goals. The company shall include goals for the prevention of ruptures, liquids and gas releases, fatalities and injuries and for the response to incidents and emergency situations.

The company shall have 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.

The company's accountable officer shall prepare a policy statement that sets out the company's commitment to these policies and goals and shall communicate that statement to the company's employees.

References: OPR section 6.3

Assessment:

Management System Policies and Policy Statement

The Board requires the company to document its policies and goals for ensuring its activities are conducted in a manner that ensures the safety and security of the public, workers and pipeline, and the protection of property and the environment.

(Note: While "goals" are included in this sub-element's description, for clarity and organization, the review of goals is documented in sub-element 2.3 Goals, Objectives, Targets)

Alliance has established corporate policies within its *Operational Risk Management System (ORMS)*. These policies are approved by the Alliance President and Chief Executive Officer (CEO). The ORMS outlines the company's vision and overarching corporate goal "*No safety, pipeline, or environmental incidents*" and this is demonstrated by referring to supporting corporate policies such as:

- *Code of Business Conduct;*
- *Environment Policy;*
- *Health and Safety Policy;* and
- *Security Policy.*

The ORMS Policy document also defines the accountability and responsibility with the CEO responsibilities and all employees, contractors and consultants' responsibilities described.

The Board has verified that Alliance's Accountable Officer has prepared a policy statement that sets out Alliance's commitment to these policies as outlined in the ORMS Policy. The policy statement includes commitments to the protection of people, property, environment and to the use of ORMS.

Commitments are made to employee-partners to encourage the reporting of all incidents, hazards, near misses and risks and protecting employee-partners and contractors who report in good faith from any form of retaliation for reporting. The policy is available to all personnel at Alliance through the company intranet. The Board verified through record review and interviews with Alliance representatives that Alliance communicated the ORMS Policy to its employee-partners.

While the ORMS Policy substantially meets the OPR requirements, it does not explicitly refer to the reporting of ‘potential hazards’ as required by the regulation. Review of the supplied information also identified that the Alliance policies did not explicitly identify the conditions under which a person who makes such a report will be granted immunity as part of the reporting policy. The Board notes that the policies are required to be explicit with respect to reporting and what to report in order to, not only encourage reporting but also to clearly identify what to report. Alliance’s statements would require interpretation prior to reporting thus potentially slowing down hazard management and mitigation.

The Board also notes that during the audit, Alliance was in the process of revising its management system to explicitly account for the OPR requirements. An updated framework was provided to the Board and while additional time is required to fully establish, implement and maintain its management system, Alliance was able to demonstrate that its management system is based upon the established policies referred to above and as required by OPR, section 6.3(2).

Environmental Protection Program Policy

Alliance demonstrated during the audit that it has developed, implemented and maintained an *Environmental Management System* (EMS) that is equivalent to the OPR required Environmental Protection program. Alliance also demonstrated that it has established an *Environmental Policy* that includes a commitment to protect the environment by striving for zero incidents; meeting or exceeding all applicable regulations; proactively understanding and mitigating potential risks with the aim of pollution prevention and by promoting continuous improvement of the EMS and processes to achieve higher standards of environmental stewardship. This policy is made available through the company internal intranet and was also posted at all offices visited by the Board during the audit. Through interviews and documentation review, Alliance demonstrated its Environmental Protection program is based upon this policy.

Summary

The Board found that Alliance has developed policies and policy statements to meet the requirement of OPR, section 6.3(1).

The Board found that Alliance has based its management system and Environmental Protection program on these policies.

The Board also found the following areas of non-compliance in the Policy and Commitment Statements sub-element:

- Alliance did not demonstrate that it has a policy that explicitly describes internal reporting of potential hazards as required by OPR, section 6.3(1)(a); and
- Alliance did not demonstrate that its policy includes the conditions under which a person who reports a hazard, potential hazard, incident or near-miss will be granted immunity from disciplinary action as required by OPR, section 6.3(1)(a);

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

2.0 PLANNING

2.1 Hazard Identification, Risk Assessment and Control¹

Expectations: The company shall have an established, implemented and effective process for identifying and analyzing all hazards and potential hazards. The company shall establish and maintain an inventory of hazards and potential hazards. The company shall have an established, implemented and effective process for evaluating the risks associated with these hazards, including the risks related to normal and abnormal operating conditions. As part of its formal risk assessment, a company shall keep records to demonstrate the implementation of the hazard identification and risk assessment processes.

The company shall have an established, implemented and effective 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. The company shall have and maintain a data management system for monitoring and analyzing the trends in hazards, incidents, and near-misses.

The company shall have an established, implemented and effective process for developing and implementing controls to prevent, manage and mitigate the identified hazards and risks. The company shall communicate those controls to anyone exposed to the risks.

References: OPR section 6.5(1)(c)(d)(e)(f)(r)(s)

Assessment:

Management System Hazards and Potential Hazards Identification Process

At the time of the audit, the identification of hazards and potential hazards was being completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(c). Alliance did demonstrate through its revised ORMS framework that it is in the process of developing a hazard identification process. The Board notes that while a management system deficiency currently exists, the Board did verify that hazards are being identified through established program level practices (please refer to Environmental Protection program hazard identification below).

Management System Hazard and Potential Hazard Inventory

At the time of the audit, Alliance did not demonstrate that it has established and maintained an inventory of hazards and potential hazards at the management system level. The Board has verified that various inventories have been established at the protection program level and this is described in the sections below.

¹ Hazard: Source or situation with a potential for harm in terms of injury, ill health, damage to property, damage to workplace and environment, or a combination of these. Risk: Combination of the likelihood and consequence(s) of a specified hazardous event occurring.

Management System Evaluating and Managing Risk Process

At the time of the audit, the evaluation and managing of risks was being primarily completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(e). Alliance did demonstrate it has developed a corporate risk matrix for each of the protection programs to use to guide risk ranking and prioritization of identified hazards and that risks are reviewed during management review meetings. Alliance has also demonstrated that through its revised ORMS framework that it is in the process of developing a risk assessment and control process. The Board notes that while a management system deficiency currently exists, the Board did verify that risks are being evaluated and managed through established protection program level practices.

Environmental Protection Program Hazard and Potential Hazard Identification and Risk Assessment Process

Alliance's EMS includes an element on hazard assessment and risk management, referred to specifically as environmental aspect identification and evaluation, of which Alliance has developed a documented practice to identify and evaluate environmental aspects at its facilities and operations. This practice includes several mechanisms for identifying environmental hazards and potential hazards such as pre-job meetings, facility and equipment inspections and Alliance's project process. Through a review of records, Alliance was able to demonstrate that its environmental hazard identification practice has been fully implemented. In addition, interviews with Alliance representatives indicated that members of Alliance's Environmental department were trained on this practice.

Alliance's documented practice also includes evaluating the risk associated with the identified environmental hazards so that these risks can be potentially eliminated, controlled or mitigated. As part of its demonstration, Alliance provided records indicating that their assessment included both the unmitigated (without controls) and mitigated risks.

While Alliance has demonstrated compliance with certain aspects of the OPR requirements in this sub-element, the Board notes the following deficiencies:

- Documented practice focuses on new hazards being identified and does account for how existing hazards were identified;
- Documented practice does not include the identification and analysis of potential hazards; and
- Documented practice does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how). Further to this, Alliance has developed an internal document hierarchy, which includes when a process (amongst other type of documents) should be developed and how it is defined. The Board reviewed this definition and determined that it does align with the Board expectations; however, it is not being used consistently in the organization.

Environmental Protection Hazard and Potential Hazard Inventory

Through its existing practices, Alliance demonstrated that it has established and implemented an inventory of its identified Environmental Protection program hazards. This inventory includes, but is not limited to, hazards relating to invasive plants, surface water, waste management and air emissions. The Board found these to be appropriate for Alliance's operations. However, the Board did note that this inventory did not include potential hazards as required by the OPR.

Summary

The Board has found that Alliance has not established and implemented a documented management system process for the identification of hazards and potential hazards as required by the OPR.

The Board also found that while a management system deficiency currently exists, the Board did verify that hazards are being identified and controlled through established Environmental Protection program level practices.

The Board found that Alliance did not demonstrate that it has established and maintained an inventory of hazards and potential hazards at the management system level.

The Board also found that Alliance established and maintained an inventory at the Environmental Protection program level. However, this inventory did not include potential hazards.

The Board found that Alliance has not established and implemented a documented management system for the evaluation and managing of the risks associated with the identified hazards.

The Board also found that while a management system deficiency currently exists, the Board did verify that risks are being evaluated and managed through established Environmental Protection program level practices.

The Board found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

2.2 Legal Requirements

Expectations: The company shall have an established, implemented and effective process for identifying and monitoring compliance with all legal requirements that are applicable to the company in matters of safety, security and protection of the environment. The company shall have and maintain a list of those legal requirements. The company shall have a documented process to identify and resolve non-compliances as they relate to legal requirements, which includes updating the management and protection programs as required.

References:

OPR section 6.5(1)(g),(h),(i)

Assessment:

Management System Identifying Legal Requirements Process

As part of their demonstration, Alliance pointed the Board to their centralized compliance management system (CCMS) and the systems supporting documentation as their established and implemented documented process for identifying legal requirements. Upon review, the Board determined that these documents do not include the steps to how the legal requirements were identified but focused on how to use the CCMS. As a result, Alliance was unable to demonstrate that it has established and implemented a documented process to identify all legal requirements applicable to the company. The Board notes that while a management system process deficiency currently exists, the Board did confirm through interviews with Alliance representatives that Alliance, with the support of a third party provider and internal subject matter expertise, did identify legal requirements that, in the opinion of Alliance, are applicable to the company. Please refer to the Management System Legal List below for additional details.

Management System Monitoring Compliance with Legal Requirements Process

Similar to above, Alliance pointed to its CCMS documentation in order to demonstrate that it has established and implemented a process for monitoring compliance with its applicable legal requirements. Upon review, this documentation is focused on monitoring changes to legal requirements. While monitoring changes to legal requirements is one aspect of monitoring compliance and is required to be accounted for in the OPR's management of change process, the Board notes that this is a reactive approach and does not proactively ensure that Alliance is in compliance with its current legal requirements (see Sub-element 4.1 *Inspection, Measuring and Monitoring* for additional details). The Board notes that while a management system process deficiency currently exists, the Board did confirm through interviews with Alliance representatives and documentation review that Alliance is monitoring compliance with applicable legal requirements through several protection program level practices.

Management System and Environmental Protection Program Legal List

As noted earlier, Alliance has developed a centralized electronic library, CCMS, in order to meet the OPR requirements to establish and maintain a legal list.

During the audit, Alliance provided several demonstrations of this system and how it will be utilized to ensure Alliance remains in compliance with applicable legal requirements through various processes, procedures and practices. The Board verified that Alliance has established and maintained a legal list that includes all applicable federal and provincial requirements for the various protection programs included in this audit. However, Alliance's legal list does not include referenced standards, with the most notable omission being the Canadian Standards Association (CSA) library of standards. During interviews, Alliance indicated that it is barred from incorporating any CSA standards content into its legal list due to CSA copyright restrictions. While the Board agrees that copyright restrictions may exist, they should not limit Alliance from listing the clause numbers of the specific provisions and not the actual text of the provisions. This alternative was discussed with Alliance during the audit with Alliance indicating that this would be unworkable for the following reasons:

- *Reliability and Usage Considerations – Since the purpose is ultimately to ensure compliance, the legal list must be easy to use and maintain. And above all else, it must be reliable. In order to achieve these ends, Alliance is of the view that the actual text of the requirements must be set out explicitly. If users are required to continually cross-reference the source document against the clause numbers, errors will inevitably result, rendering the list unreliable and possibly even creating a greater risk of non-compliance.*
- *Additional Challenges of Cross-Referencing – The need to continually cross-reference would make auditing against the requirements much more difficult and also raise challenges in terms of keeping the list current.*
- *Administrative Burden – Alliance secured the services of a third party provider to extract the legal requirements from the source document and enter them into their system on Alliance's behalf. In this case, copyright restrictions bar Alliance from disclosing CSA standards to their third party provider. Alliance would therefore have to bear the administrative burden of extracting the clause numbers that are associated with the legal requirements.*

Alliance also indicated that “it does not see any practical merit in replicating the voluminous content of consensus standards in a legal list” as company personnel have access to the standards and are fully cognizant on how these standards apply to the respective areas.

The Board agrees that the copyright restrictions may present a barrier from a development and maintenance perspective. However, it's the Board opinion that having these applicable clauses listed, albeit in an abbreviation aspect, would achieve a higher probability of compliance versus relying solely on the company's subject matter expertise. As a result, the Board has determined that Alliance has not demonstrated a legal list that meets the requirements of OPR, section 6.5(1)(h).

Environmental Protection Program Identifying and Monitoring Compliance to Legal Requirements Process

Alliance's EMS includes an element on legal and regulatory assessment of which Alliance has developed a documented practice that outlines the requirements to identify, record, and maintain environmental legal requirements. Several techniques are used to track, identify, and evaluate applicable laws and regulations, including commercial databases and periodicals, information from trade associations and direct communication with national and provincial/state regulatory agencies.

Alliance demonstrated that it has accounted for the majority of its environmental legal requirements within its individual operating procedures. These legal requirements are being monitored and reviewed during its document management process. The Board reviewed these documents and associated records during the audit and found that Alliance had been implementing the practices as designed.

While Alliance has established and implemented a documented practice at the Environmental Protection program level, this document does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how). Further to this, Alliance has developed an internal document hierarchy, which includes when a process (among other type of documents) should be developed and how it is defined. The Board reviewed this definition and determined that it does align with the Board's expectations; however, it is not being used consistently in the organization.

In addition, the Environmental Protection program practice is focused on monitoring changes to legal requirements. While monitoring changes to legal requirements is one aspect on monitoring compliance required to be accounted for in the OPR's management of change process, the Board notes that this is a reactive approach and does not proactively ensure that Alliance is in compliance with its current legal requirements (see Sub-element 4.1 *Inspection, Measuring and Monitoring* for additional details)

Summary

The Board found that Alliance has not established and implemented a documented management system and Environmental Protection program process for identifying and monitoring compliance with applicable legal requirements and thus is in non-compliance with OPR, section 6.5(1)(g).

The Board also found that Alliance has established and maintained a legal list that includes its federal and provincial requirements. However, this legal list does not include referenced standards and thus is in non-compliance with OPR, section 6.5(1)(h).

The Board found that Alliance's Environmental Protection program practices does include the identification and monitoring changes to applicable environmental legal requirements.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

2.3 Goals, Objectives and Targets

Expectations: The company shall have an established, implemented and effective process for developing and setting goals, objectives and specific targets relevant to the risks and hazards associated with the company's facilities and activities (i.e., construction, operation and maintenance). The company's process for setting objectives and specific targets shall ensure that the objectives and targets are those required to achieve its goals, and shall ensure that the objectives and targets are reviewed annually.

The company shall include goals for the prevention of ruptures, liquid and gas releases, fatalities and injuries, and for the response to incidents and emergency situations. The company's goals shall be communicated to employees.

The company shall develop performance measures for assessing the company's success in achieving its goals, objectives, and targets. The company shall annually review its performance in achieving its goals, objectives and targets and the performance of its management system. The company shall document the annual review of its performance, including the actions taken during the year to correct any deficiencies identified in its quality assurance program, in an annual report, signed by the accountable officer.

References:

OPR sections 6.3, 6.5(1)(a),(b), 6.6

Assessment:

Management System Goals

The Board requires the company to document its policies and goals for ensuring its activities are conducted in a manner that ensures the safety and security of the public, workers and pipeline, and the protection of property and the environment. Through interviews and documentation review, Alliance demonstrated its senior leadership team has developed goals to meet the obligations referred to above. These goals are reviewed and reported upon during the quarterly and annual management review meetings.

In addition, the OPR specifically requires goals for the following:

- Prevention of ruptures;
- Prevention of liquid and gas releases;
- Prevention of fatalities and injuries; and
- Response to incidents and emergency situations.

While Alliance has established documented goals for the prevention of ruptures, fatalities and injuries, its documented goals for the prevention of liquid and gas releases is limited to its pipeline right-of-way and does not include its aboveground facilities. As for goals for the response to incidents and emergency situations, Alliance did not develop a specific goal other than to track whether they had to respond to an incident or emergency situations. The Board expects that goals for these types of events should include, but not limited to, incident response times.

The Board also notes that during the audit, Alliance was in the process of revising its management system to explicitly account for the OPR requirements. An updated framework was provided to the Board and while additional time is required to fully establish, implement and maintain its management system, Alliance was able to demonstrate that its management system is based upon the established goals referred to above and as required by OPR, section 6.3(2).

Management System Objectives and Targets Process

At the time of the audit, the process for developing objectives and targets was being completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(a). Alliance did demonstrate through its revised ORMS framework that it is in the process of developing an annual goals, objectives and target setting process.

The Board notes that while a management system deficiency currently exists, the Board did verify that objectives and targets are being identified through established practices. As demonstrated in its annual *Accountable Officer Report*, Alliance has established strategic management goals, objectives, measures and targets that are reviewed annually.

Management System Performance Measures

Alliance has developed performance measures for assessing the company's success in achieving its goals, objectives, and targets and this was demonstrated in the company's annual *Accountable Officer Report*.

Environmental Protection Program Goals, Objectives and Targets Process and Performance Measures

Alliance's EMS includes an element on objectives and targets of which Alliance has developed a documented practice that describes the steps that will be taken to establish objectives and targets focused on environmental stewardship and zero impact to the environment. At the Environmental Protection program level, objectives and targets are established through review and approval by the Health, Safety and Environment Management Committee (HSEMC). Once established, these objectives and targets are reviewed for performance on at a least a semi-annual basis with a final review being conducted in advance of preparing the Annual Accountable Officer Report. Through documentation review and interviews, the Board verified that these objectives and targets were appropriate for the Environmental Protection program and that the practice was being implemented as prescribed.

In addition to the EMS objectives and targets, Alliance demonstrated through documentation and records that it conducts several other activities, both internal and external, to which the company was assessing the performance of its Environmental Protection program. These activities include the Operational Excellence Management System Report and NEB Performance Measures.

The Board notes that while Alliance has established and implemented a documented practice at the Environmental Protection program level, this document does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how). Further to this, Alliance has developed an internal document hierarchy, which includes when a process (among other type of documents) should be developed and how it is defined. The Board reviewed this definition and determined that it does align with the Board expectations; however, it is not being used consistently in the organization.

Summary

The Board found that Alliance has not established and implemented a management system and Environmental Protection program process for setting objectives and specific targets as required by the OPR. However, by practice, Alliance has developed management system and Environmental Protection program goals, objectives, and targets.

The Board found that Alliance has developed goals for the prevention of ruptures, fatalities and injuries but has not developed goals for the response to incidents and emergency situations. The Board also found that Alliance goals for the prevention of liquid and gas releases is limited to its pipeline right-of-way and does not include its aboveground facilities.

The Board also found that Alliance has based its management system and Environmental Protection program on these goals.

The Board found that Alliance has established performance measures to assess the company's success in achieving its goals, objectives and targets.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

2.4 Organizational Structure, Roles and Responsibilities

Expectations: The company shall have a documented organizational structure that enables it to meet the requirements of its management system and its obligations to carry out activities in a manner that ensures the safety and security of the public, company employees and the pipeline, and protection of property and the environment. The documented structure shall enable the company to determine and communicate the roles, responsibilities and authority of the officers and employees at all levels. The company shall document contractors' responsibilities in its construction and maintenance safety manuals.

The documented organizational structure shall also enable the company to demonstrate that the human resources allocated to establishing, implementing and maintaining the management system are sufficient to meet the requirements of the management system and to meet the company's obligations to design, construct, operate or abandon its facilities to ensure the safety and security of the public and the company's employees, and the protection of property and the environment. The company shall complete an annual documented evaluation in order to demonstrate adequate human resourcing to meet these obligations.

References:

OPR sections 6.4, 20, 31

Assessment:

Management System Organizational Structure and Roles and Responsibilities

Through Alliance's ORMS, a documented organizational structure has been established with the President and CEO designated as the Accountable Officer. The ORMS outlines some high level roles and responsibilities of positions within the management system and in more detail in job descriptions, accountability agreements, procedures, organizations and other management system documentation. Communication of roles and responsibilities occurs through policies, procedures, training and regular company and department communications. The Board has found the organizational structure is adequate for the management system, however, as Alliance continues to develop and implement the management system, regular review of the organizational structure needs to be performed.

In addition, the Board verified through record review that employees at all levels have *Accountability/Performance Agreements*. These agreements are completed annually, approved by both the employee and their leader, documents the employees roles and responsibilities and includes how each employee will support the organization in meeting its corporate goals.

Management System Annual Evaluation of Need

The ORMS outlines Alliance's commitment to provide adequate resources to establish, implement, maintain and improve the management system. Formal review and planning primarily takes place through management review and the annual management review includes an evaluation of the need for changes including resource requirements.

Alliance demonstrated that it has developed a number of corporately required or supported mechanisms for evaluating its resourcing needs, including quarterly and annual meetings, progress reports and work completion reports. In addition, Alliance provided the Board a document entitled *Corporate Procedure / Assessment of Need Process* which explains the process that Alliance has undergone during 2013 and 2014 to assess and rationalize its resource needs and shape its new organizational design. To demonstrate implementation of this process, Alliance also provided a document entitled *Corporate Procedure / Assessment of Need Process – Findings* that provided the essential results of the assessment undertaken during 2013 and 2014. Upon review of these records, the Board found that Alliance has not demonstrated an annual documented evaluation of need that meets the OPR requirements as these records were exception based and thus the Board could not attest to the comprehensiveness of this review.

The Board also reminds Alliance that the annual evaluation of need has to ensure that resources are sufficient to establish, implement and maintain the management system in order to meet Alliance's obligations to protect the safety and security of the people, the pipeline and for the protection of the environment. As a result, this evaluation must account for all the activities as well as those employees or other persons working with or on behalf of the company who enable Alliance to meet those requirements.

Environmental Protection Program Organizational Structure and Roles and Responsibilities

Alliance's EMS has an element on leadership, structure and responsibility, which provides a description of commitments and approach to organizational structure. Specifically, this element describes roles and responsibilities for the following groups or individuals:

- Accountable Officer;
- Board of Directors Health, Safety, and Environment Committee;
- Health, Safety and Environment Management Committee (HSEMC);
- Director, Health, Safety, and Environment;
- Environment Department; and
- Employee-Partners.

Alliance's EMS also refers to job descriptions, procedures and other management system documentation as providing further specific roles and responsibilities. The Board verified that additional roles and responsibilities for the area management and employee partners are outlined in environmental practices.

Summary

The Board found that Alliance has a documented organizational structure and communicates the roles, responsibilities and authorities of the officers and employees at all levels of the company.

The Board also found that Alliance did not demonstrate that the human resources allocated to establishing, implementing and maintaining its management system are sufficient to meet the requirements of the management system and to meet the company's obligations under OPR, section 6.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.0 IMPLEMENTATION

3.1 Operational Control-Normal Operations

Expectations: The company shall have an established, implemented and effective process for developing and implementing corrective, mitigative, preventive and protective controls associated with the hazards and risks identified in elements 2.0 and 3.0, and for communicating these controls to anyone who is exposed to the risks.

The company shall have an established, implemented and effective process for coordinating, controlling and managing the operational activities of employees and other people working with or on behalf of the company.

References:

OPR section 6.5(1)(e),(f),(q)

Assessment:

Management System Developing and Implementing Operational Controls – Normal Operations

At the time of the audit, the evaluation and managing of risks for normal operations was being primarily completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(e). Similarly, the development and implementation of controls and communicating those controls to those who are exposed to the risks were also being completed at the various protection program levels and not by an established and implemented management system process. Alliance demonstrated that through its revised ORMS framework that it is in the process of developing a risk assessment and control process. The Board notes that while a management system deficiency currently exists, the Board did verify that hazards and risks are being controlled through established protection program level practices.

Management System and Environmental Protection Program Processes for Coordinating, Controlling and Managing the Operational Activities of Employees and other People Working With or On Behalf of the Company

The ORMS is comprised of several different mechanisms for coordinating and controlling the operational activities and other people working with or on behalf of the company. A review of the ORMS indicated that a formal organizational structure has been established and roles, responsibilities, accountabilities and authorities are detailed in job descriptions, accountability agreements, procedures, organizational charts and other management system documentation.

Alliance indicated that these requirements were further described within its *Business Process Description WO Philosophy and Maintenance Planning* and its *Operations Work Order Management Field Guide*. Upon review, the Board found that these documents are focused on the management of the physical and financial performance of operational assets and do not ensure that all operational activities are being coordinating and controlled. As one example, aboveground facility and pipeline right-of-way inspections that are conducted by the protection programs would not be accounted in the practices currently established by Alliance. Alliance is therefore non-compliant with OPR, section 6.5(1)(q).

Environmental Protection Program Developing and Implementing Operational Controls – Normal Operations

Alliance's EMS includes an element on operational control, which outlines the requirements to ensure environmental impacts associated with activities are mitigated and controlled through operational control procedures. Alliance has established and implemented a practice that outlines the steps of controls determination.

Through documentation review and interviews, the Board found that Alliance has developed and implemented controls at the Environmental Protection program level to account for the identified hazards and risks as noted in Sub-element 2.1. These controls included procedures for waste management, management of clubroot, vegetation management and air quality monitoring. However, the Board notes the following deficiencies:

- Alliance has developed a Canadian Reclamation Procedure that has been in draft format since 7 January 2011. Of note, this procedure lists the steps to take if possible reclamation issues are identified by a landowner, aerial patrol, etc. However, this procedure is owned by Alliance's Land, Right of Way and Corridor Management team with no formal link to Alliance's Environmental Department;
- Alliance's existing practices do not account for when project specific Environmental Protection Plans will be developed.
- While Alliance has established and implemented a documented practice at the Environmental Protection program level, this document does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how). Further to this, Alliance has developed an internal document hierarchy, which includes when a process (among other type of documents) should be developed and how it is defined. The Board reviewed this definition and determined that it does align with the Board expectations; however, it is not being used consistently in the organization; and
- Alliance could not demonstrate that it has communicated its environmental controls to those who may be exposed to the risks, most notably being Alliance's operational staff.

Summary

The Board found that, at the Environmental Protection program level, Alliance has developed and implemented controls for the identified hazard and risks. However, Alliance could not demonstrate that it has communicated these controls to those who may be exposed to the risks, most notably being their operational staff.

The Board also found that Alliance has not established and implemented a documented management system process for developing and implementing controls and thus is in non-compliance with OPR, section 6.5(1)(f).

The Board found that Alliance has not established and maintained a documented management system process for coordinating and controlling the operational activities of employees or other people working with or on behalf of the company and thus is non-compliant with OPR, section 6.5(1)(q).

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.2 Operational Control-Upset or Abnormal Operating Conditions

Expectations: The company shall establish and maintain plans and procedures to identify the potential for upset or abnormal operating conditions, accidental releases, incidents and emergency situations. The company shall also define proposed responses to these events and prevent and mitigate the likely consequence and/or impacts of these events. The procedures must be periodically tested and reviewed, and revised where appropriate (for example, after upset or abnormal events). The company shall have an established, implemented and effective process for developing contingency plans for abnormal events that may occur during construction, operation, maintenance, abandonment or emergency situations.

References:

OPR section 6.5(1)(c),(d),(e),(f),(t)

Assessment:

Management System Upset and Abnormal Operating Conditions Process

Alliance uses the processes described in sub-elements 2.1 and 3.1 of this audit report to identify hazards and potential hazards to the occupational health and safety of its workers during abnormal operating conditions, accidental releases, incidents and emergency situations. Therefore, the general findings of those sub-elements apply to this sub-element as well. Since any issues applicable to this sub-element must be addressed in the corrective action plan developed for sub-element 3.1, the Board will not assign additional Non-Compliances for the management system process in this sub-element.

Management System Developing Contingency Plans for Abnormal Events Process

In its ORMS framework, Alliance has developed an element that is focused on Operational Control – Upset or Abnormal Conditions and references the Emergency Management Program as providing the framework and overview of the processes to identify risks, prevent, mitigate, prepare for, respond to and recover from emergency situations. The Board notes that Alliance has developed several contingency plans such as the *Pandemic Preparedness Plan* and *Corporate/Departmental Business Continuity Plans*. However, Alliance was not able to demonstrate that it has established and implemented a documented management system process for developing contingency plans for abnormal events that may occur during construction, operation, maintenance, abandonment or emergency situations.

The Board notes that contingency plans are not limited to emergency response. Therefore, the Board found that Alliance’s management system did not include specific processes or policies for developing contingency plans for abnormal events.

Environmental Protection Program Upset or Abnormal Operating Conditions Process

Review of Alliance’s documents and records, as well as interviews with Alliance representatives indicated that the company was able to demonstrate that it has appropriate controls to minimize, respond to or mitigate the environmental effects associated with upset or abnormal operating conditions of its pipeline system.

In particular, Alliance has established and implemented an Environmental Protection program practice specifically for responding to releases. Additionally, the Board also found that Alliance frontline staff, including managers, has received various levels of *Integrated Command Structure* (ICS) and first response training needed to fulfill their anticipated roles in the company's *Emergency Response Plans*.

Environmental Protection Program Process for Developing Contingency Plans for Abnormal Events

Alliance did not demonstrate that it has an Environmental Protection program level process that meets the OPR requirements. However, interviews with regional personnel confirmed that Alliance regional staff use and understand the company's contingency plans for emergency response.

Summary

The Board found that, subject to its non-compliant finding relating to its management system process with respect to developing controls (Sub-element 3.1 *Operational Control – Normal Operations* above), Alliance has developed controls that address its identified environmental hazards and risks relating to upset and abnormal operating conditions.

The Board found that Alliance has developed and documented many contingency plans.

The Board also found that Alliance had not established a management system or Environmental Protection program level process for developing contingency plans that meets the Board's requirements.

Based on the Board's evaluation of Alliance's management system and the Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.3 Management of Change

Expectations: The company shall have an established, implemented and effective process for identifying and managing any change that could affect safety, security or protection of the environment, including any new hazard or risk, any change in a design, specification, standard or procedure and any change in the company's organizational structure or the legal requirements applicable to the company.

References:

OPR section 6.5(1)(i)

Assessment:

Management System Management of Change Process

During the audit, Alliance demonstrated that it has developed several standards, procedures, and processes for managing change including and described as follows:

- *Operational Excellence Management System Standard - Management of Change* – describes the key components required to be included in the protection program management of change (MOC) practice;
- *Management of Change for Legal Requirements in CCMS* – describes how changes to legal requirements are accounted for; and
- *Field Operations MOC Process* – describes how changes at the operational level (i.e. changes to assets, procedures, etc.) are assessed.

In addition and as listed in its ORMS framework provided to the Board, Alliance has indicated that it will be developing a *Corporate Management of Change* process that is still being formalized.

Based on documentation review and interviews, the Board has determined that Alliance has not met the requirements of OPR, section 6.5(i) for the following reasons:

- The aforementioned standards, procedures and processes function independently of one another and thus are not systematic;
- Changes to organizational structure are not accounted for in these standards, procedures and processes.
- While the *Field Operations MOC Process* is adequately designed, Alliance could not demonstrate that it is being consistently implemented as prescribed. As one example, the process requires that environmental checklists are to be completed for every asset based change. Records reviewed during the audit did not contain these checklists.

The Board notes that the OPR requires a company to develop a management system MOC process that identifies and manages any change that could affect safety, security or the protection of the environment. Further the Board notes that, while a company may have multiple processes, there still must be consistency in process requirements, development and implementation as well as coordination of the various practices in order to meet the OPR requirements and to ensure formal management.

Environmental Protection Program Management of Change Process

Alliance's EMS includes an element on management of change, which Alliance has developed a documented practice to ensure that changes to plans, practices, procedures and processes are adequately vetted with stakeholders and to document the efforts conducted during the change process. Upon review, the Board notes that this practice does not account for all the changes that are to be managed as required by the OPR, such as changes to legal requirements and organizational structure.

While Alliance has established a documented process at the Environmental Protection program level, this document does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how).

Summary

The Board found that Alliance demonstrated that it had established and implemented a number of management of change processes, procedures and practices to document and manage change. However, these processes, practices and procedures function independently of one another and thus are not systematic.

The Board also found that Alliance's current management of change activities do not account for changes to the company's organizational structure as required by the OPR.

The Board found that Alliance has established a management of change practice at the Environmental Protection program level but it does not account for all the changes that are to be managed as required by the OPR.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.4 Training, Competence and Evaluation

Expectations: The company shall have an established, implemented and effective process for developing competency requirements and training programs that provide employees and other persons working with or on behalf of the company with the training that will enable them to perform their duties in a manner that is safe, ensures the security of the pipeline and protects the environment.

The company shall have an established, implemented and effective process for verifying that employees and other persons working with or on behalf of the company 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 pipeline and protects the environment. The company shall have an established, implemented and effective process for making employees and other persons working with or on behalf of the company aware of their responsibilities in relation to the processes and procedures required by the management system or the company's protection programs.

The company shall have an established, implemented and effective process for generating and managing training documents and records.

References:

OPR section 6.5(1)(j),(k),(l),(p)

Assessment:

Management System and Environmental Protection Program Developing Competencies and Training Programs Process

Alliance has developed a *Learning and Development Management System* that applies to the entire Alliance organization and consists of the following five programs: Onboarding, Training, Competency, Performance Support and Leadership. To administer training and competency evaluation, Alliance utilizes an additional system referred to as the *Online Learning Environment (OLE)*. The system provides the mechanism to register, deliver, track and record learning completions. The OLE also contains requirements for onboarding, training and operations competency that includes skills, knowledge and attributes that an employee-partner needs in order to be considered qualified or capable of performing a specific task. Supporting OLE is an *Alliance Competency Evaluation (ACE)* program and competency evaluation process that is intended to ensure field maintenance technicians are trained and competent to perform their daily tasks in a safe and effective manner.

In reviewing the provided documentation as well as through interviews, the Board notes the following:

- Alliance has not established and implemented a process for developing competencies and training programs as required by the OPR;
- Alliance has developed a training program as per the requirements of OPR, section 46; However, there are certain environmental practices and procedures, such as vegetation management, of which a one-time only training session was provided. As ensuring adequate vegetation management at Alliance's aboveground facilities and pipeline right-of-way would be considered a core environmental activity for Alliance's operation staff, the Board found that a one-time training session would not be sufficient. Additionally, the identification of potential reclamation and vegetation management issues and implementation of corrective actions are being completed by Alliance representatives who have not received any formal training on these matters.

-Through the ACE program, Alliance has developed competencies for its field maintenance technicians. However, this is limited to matters of safety. While the Board recognizes this importance, competencies should also be developed for those tasks that involve environmental and emergency management considerations;

- OLE programs apply to Alliance employees but not to all workers doing activities on behalf of the company. Alliance does manage contractors through a third party prequalification process and a field orientation course. However, this is not accounted for by a management system process; and
- Alliance’s training department provides support to all protection programs for the development of departmental content and eLearning programs and each department manages the content of programs housed in OLE. The Board verified through front line interviews and inspections that Alliance has implemented the systems to generate, manage and document the various training programs.

Management System and Environmental Protection Program Verification of Competency and Training Process

Through interviews and documentation review, the Board found that Alliance has established and implemented a documented management system process to verify that certain employees are trained and competent through its ACE program. However, as it indicated in the previous section, the ACE program is limited to field maintenance technicians and does not include other employees or other persons working with or on behalf of the company. As a result, the Board found Alliance in non-compliance with the OPR requirements.

The Board verified that all formal training within the OLE includes records of training, which are maintained for all training and other activities provided. During the site visits and interviews at each location, the Board was shown updated data on outstanding and scheduled training for the local employees. The Board verified that all training was up to date.

Management System and Environmental Protection Program Making Employees aware of Responsibilities Process

Through interviews and documentation review, Alliance pointed to numerous activities (job descriptions, pre-job meetings, etc.) to how this requirement was being met. However, Alliance could not demonstrate that it has established and implemented a documented management system and Environmental Protection program process that makes employees and other persons working with or on behalf of the company aware of their responsibilities.

Summary

The Board has found that Alliance has not established and implemented a documented management system and Environmental Protection program process for developing competencies and training programs.

The Board also found that Alliance has developed and implemented training programs for all employees and has developed competencies for its field maintenance technicians. However, these competencies are limited to matters of safety and do not include environmental protection and emergency management considerations.

The Board has found that Alliance has established and implemented a documented management system and Environmental Protection program process for verifying the competency and training of certain employees within its organization. However, this process does not include all employees or other persons working with or on behalf of the company as required in the OPR.

The Board has also found that Alliance has not established and implemented a documented management system and Environmental Protection program process to make employees and other persons working with or on behalf of the company aware of their responsibilities.

The Board found that Alliance has developed a training program as per the requirements of OPR, section 46; however, there are certain environmental practices and procedures, such as vegetation management, of which a one-time only training session was provided. As ensuring adequate vegetation management at Alliance's aboveground facilities and pipeline right-of-way would be considered a core environmental activity for Alliance's operation staff, the Board found that a one-time training session would not be sufficient. Additionally, the identification of potential reclamation and vegetation management issues and implementation of corrective actions are being completed by Alliance representatives who have not received any formal training on these matters.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.5 Communication

Expectations: The company shall have an established, implemented and effective process for the internal and external communication of information relating to safety, security and environmental protection. The process should include procedures for communication with the public, company employees, contractors, regulatory agencies and emergency responders.

References:

OPR section 6.5(1)(m)

Assessment:

Management System and Environmental Protection Program Internal and External Communication Process

During the audit, Alliance demonstrated that it effectively communicates information relating to safety, security and protection of environment to both internal and external stakeholders. Mechanisms that demonstrated this included its internal intranet site, various daily, weekly, monthly and annual meetings and the development of communication plans for each of the protection programs included in this audit. However, Alliance was not able to demonstrate that it has established and implemented a documented process that accounts for all of these activities. The Board notes that during the audit, Alliance was in the process of revising its management system to explicitly account for the OPR requirements and this includes developing a management system communication process.

Alliance's EMS does include an element on communication, which outlines the requirements for documented plans for internal and external communication regarding environmental matters. It also describes 'communication management' as including all personnel under the control of the organization including temporary employees, contractors, sub-contractors, relevant vendors, service providers and visitors. It also includes receiving, recording and responding to external communication from interested parties such as regulators and landowners.

Summary

The Board found that Alliance communicates throughout its organization and externally as a matter of organized practice.

The Board also found that Alliance has not established and implemented an internal and external communication process that meets the OPR requirements.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

3.6 Documentation and Document Control

Expectations: The company shall have an established, implemented and effective process for identifying the documents required for the company to meet its obligations to conduct activities in a manner that ensures the safety and security of the public, company employees and the pipeline, and protection of property and the environment. The documents shall include all of the processes and procedures required as part of the company's management system.

The company shall have an established, implemented and effective process for preparing, reviewing, revising and controlling documents, including a process for obtaining approval of the documents by the appropriate authority. The documentation should be reviewed and revised at regular and planned intervals.

Documents shall be revised where changes are required as a result of legal requirements. Documents should be revised immediately where changes may result in significant negative consequences.

References:

OPR sections 6.5(1)(i),(n),(o),6.5(3)

Assessment:

Management System and Environmental Protection Program Process for Identifying the Documents Required to Meet its Obligations

As part of its demonstration, Alliance pointed the Board to its CCMS and the systems supporting documentation as its established and implemented process for identifying the documents required for the company to meet its obligations under OPR, section 6. Upon review, the Board determined that these documents do not include the steps to determine what types of documents are required but focuses on how to use the CCMS. As a result, Alliance was unable to demonstrate that it has established and implemented a documented management system and Environmental Protection program process to meet the requirements of OPR, section 6.5(1)(n). The Board notes that while a management system process deficiency currently exists, the Board did confirm through documentation review that Alliance has developed documents that would typically be expected for a company of its size and to the scope, nature and complexity of its activities.

Management System and Environmental Protection Program Documentation and Document Control

Through its *Managing Controlled Documents Procedure*, Alliance demonstrated that it has established and implemented a documented management system and Environmental Protection program process for the preparing, reviewing, revising and controlling documents including a process for obtaining approval of its documents. In addition and mentioned previously in this report, Alliance has developed a Technical Document Hierarchy that defines the type of documents that can be created within Alliance's organization. The Board notes that these definitions align with the Board requirements.

Despite the assessment mentioned above, the Board did find a deficiency with Alliance's process for reviewing documents. While Alliance's process does stipulate that the reviews of documents are to occur, it does not define a revision schedule. The Board notes that all documents provided during the audit were current based on normal, acceptable industry best practices. However, to ensure that documents remain current in the future, the Board requires that a defined revision schedule be incorporated into this process.

Summary

The Board found that Alliance had established and implemented a documented management system and Environmental Protection program process for preparing, reviewing, revising and controlling its documents. However, this process does not include defined revision schedules for its documents and thus is in non-compliance with OPR, section 6.5(1)(o).

The Board also found that Alliance had not established and implemented a documented management system and Environmental Protection program process for identifying the documents required for the company to meet its obligations under OPR section 6 and thus is in non-compliance with OPR, section 6.5(1)(n).

The Board found that Alliance has developed documents that would be typically expected for a company of its size and to the scope, nature and complexity of its activities.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

4.0 CHECKING AND CORRECTIVE ACTION

4.1 Inspection, Measurement and Monitoring

Expectations: The company shall have an established, implemented and effective process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the protection programs and for taking corrective and preventive actions if deficiencies are identified. The evaluation shall include compliance with legal requirements.

The company shall have an established, implemented and effective process for evaluating the adequacy and effectiveness of the company's management system, and for monitoring, measuring and documenting the company's performance in meeting its obligations to perform its activities in a manner that ensures the safety and security of the public, company employees and the pipeline, and protection of property and the environment.

The company shall have an established, maintained and effective data management system for monitoring and analyzing the trends in hazards, incidents and near-misses. The company shall have documentation and records resulting from the inspection and monitoring activities for its programs.

The company management system shall ensure coordination between its protection programs, and the company should integrate the results of its inspection and monitoring activities with other data in its hazard identification and analysis, risk assessments, performance measures and annual management reviews, to ensure continual improvement in meeting the company's obligations for safety, security and protection of the environment.

References:

OPR sections 6.1(d), 6.5(1)(g),(s),(u),(v),(w), 56

Assessment:

Management System Inspection and Monitoring Process

At the time of the audit, the inspection and monitoring of the company's activities and facilities was being completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(u). Alliance did demonstrate through its revised ORMS framework that it is in the process of developing an inspection process. The Board notes that while a management system deficiency currently exists, the Board did verify that inspections are being completed through established program level practices.

Management System and Environmental Protection Program Monitoring Compliance and Inspecting to Legal Requirements

As referred to Sub-element 2.2, Alliance was not able to demonstrate that it has established and implemented a management system process to monitor compliance with applicable legal requirements as documentation provided focused on changes to legal requirements. In addition, OPR section 53 requires companies to conduct inspections on a regular basis to ensure compliance with certain parts of the NEB Act, the OPR and the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property, the environment and the safety of the public and of the company's employees.

Through documentation review and interviews, Alliance was not able to demonstrate that these inspections were occurring as required.

Management System and Environmental Protection Program Corrective and Preventive Actions Process

At the time of the audit, taking corrective and preventive actions if deficiencies are identified through inspections was being completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(u). The Board notes that while a management system deficiency currently exists, the Board did verify that corrective and preventive actions resulting from inspections are being completed through established program level practices.

Surveillance and Monitoring Program

The OPR requires companies to develop and implement surveillance and monitoring program. During its audit the Board identified that Alliance undertakes numerous types and a high number of monitoring and surveillance activities of its regulated facilities. The Board found, however, that the amalgamation of activities do not meet the OPR section 39 program requirements with respect to design and management. The Board has included its program requirements with Section 1.0 Audit Terminology and Definitions in the attached audit report.

Environmental Protection Program Inspection and Monitoring Process

Alliance's EMS has an element on inspections which provides an overview on Alliance's approach to conducting inspections as it pertains to the Environmental Protection program. The Board notes that Alliance has also established and implemented an Environmental Protection program practice to inspect its facilities. Topics inspected during these inspections include, but not limited to:

- Waste management;
- Sensitive resources protection;
- Air quality; and
- Surface and groundwater protection.

In addition, the Board verified through interviews and documentation review that several other types of Environmental Protection program level inspections were also being conducted, including the monthly Field Operations Work Order Task, Semi-Annual Mainline Compressor, Area Management Inspections and Geohazard Management Program. However, these activities were not being completed as part of an established Environmental Protection program process.

The Board also found the following regarding Alliance's Environmental Protection program inspection practice:

- Inspections are limited to aboveground facilities and do not have a prescribed frequency to how often these facilities should be inspected;
- Inspections do not include Alliance's pipeline right-of-way; and
- Follow up inspections to confirm reclamation success for ground disturbance activities are not consistently being conducted.

Of note, Board inspections conducted in conjunction with this audit identified several issues relating to invasive plant management. The Board concludes that the issues identified in the Board's inspections could be considered routine or standard practice issues, which had been on-going for some time and should have been identified by an adequate company inspection process.

While Alliance has established a documented process at the Environmental Protection program level, this document does not meet the Board's definition of a process as it does not include the Board's common 5 "w"s and "h" approach (who, what, where, when, why and how).

Summary

The Board found that Alliance has not established and implemented a documented management system process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the Environmental Protection program as required by the OPR.

The Board also found that Alliance did not demonstrate that it was inspecting to its legal requirements as required by the OPR.

The Board found that Alliance was taking corrective and preventive actions for the deficiencies identified through its Environmental Protection program inspections.

The Board also found that Alliance's Environmental Protection program practices do not meet the OPR requirements with respect to process design and implementation.

The Board also found that Alliance had not developed surveillance and monitoring program that meets the requirement of OPR section 39.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

4.2 Investigating and Reporting Incidents and Near-misses

Expectations: The company shall have an established, implemented and effective process for reporting on hazards, potential hazards, incidents and near-misses, and for taking corrective and preventive actions. This should include conducting investigations where required or where hazards, potential hazards, incidents and near-misses have or could have resulted in the safety and security of the public, company employees and the pipeline, and protection of property and the environment, being significantly compromised.

The company shall have an established, maintained and effective data management system for monitoring and analyzing the trends in hazards, incidents and near-misses.

The company should integrate the results of its reporting on hazards, potential hazards, incidents and near-misses with other data in hazard identification and analysis, risk assessments, performance measures and annual management reviews, to ensure continual improvement in meeting the company's obligations for safety, security and protection of the environment.

References: OPR sections 6.5(1)(r)(s)(u)(w)(x), 52

Assessment:

Management System and Environmental Protection Program Internal Reporting and Corrective and Preventive Actions Process

At the time of the audit, the internal reporting of hazards, potential hazards, incidents, near misses and the process for taking corrective and preventive actions was being completed at Alliance's Safety Management program level and not by an established and implemented management system and Environmental Protection program process as required by OPR, section 6.5(1)(r). The Board notes that while a management system deficiency currently exists, the Board did verify through interviews and documentation review that hazards, potential hazards, incidents and near misses are being reported and corrective and preventive actions are taken through the Safety Management program practice.

Management System and Environmental Protection Program Data Management System

Through documentation review and interviews, Alliance was able to demonstrate that it has established and maintained a data management system through an internal software application. This application is managed and maintained at the corporate level and allows Alliance employees to report, learn from, evaluate and address events (hazards, near misses and incidents) that occur both in and outside of their workplace. Training on this application is mandatory for all employees and all events that are reported in this application are communicated via email to the entire organization.

During the audit, Alliance provided several demonstrations of this application and demonstrated its ability to monitor and analyze trends in hazards, incidents and near-misses. It was during these demonstrations that the Board verified, through a sampling of events, that corrective actions were developed and implemented.

Summary

The Board found that Alliance had established and was maintaining a data management system for monitoring and analyzing the trends in its hazards, incidents, and near-misses.

The Board also found that Alliance has not established and implemented a management system and Environmental Protection program 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.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

4.3 Internal Audits

Expectations: The company shall have an established, implemented and effective quality assurance program for its management system and for each protection program, including a process for conducting regular inspections and audits and for taking corrective and preventive actions if deficiencies are identified. The audit process should identify and manage the training and competency requirements for staff carrying out the audits.

The company should integrate the results of its audits with other data in hazard identification and analysis, risk assessment, performance measures and annual management review, to ensure continual improvement in meeting the company's obligations for safety, security and protection of the environment.

References: OPR section 6.5(1)(w)(x)

Assessment:

Management System and Environmental Protection Program Quality Assurance Program

During the audit, Alliance pointed to their *Accountable Officer Report Process* and to the activities listed within the *Annual Accountable Officer Report* as evidence to demonstrate it has established and implemented a quality assurance program for its management system and Environmental Protection program. The Board has found, however, that Alliance's interpretation of a Quality Assurance Program is incorrect. The Board has provided clear guidance as part of the guidance notes that accompany the OPR that a program is not simply a description of activities. Programs are: "a documented set of processes and procedures designed to regularly accomplish a result. A program outlines how plans, processes and procedures are linked, and how each one contributes toward the result. Program planning and evaluation are conducted regularly to check that the program is achieving intended results." The Board's definition is included in *Section 1.0 Audit Terminology and Definitions* of the attached audit report.

The Board notes that while a management system and Environmental Protection program deficiency currently exists, the Board did verify that quality assurance activities are occurring at the management system and Environmental Protection program level.

Management System Audit Process

At the time of the audit, the process of conducting audits in accordance with section 53 and for taking corrective and preventive actions if deficiencies are identified was being completed at the various protection program levels and not by an established and implemented management system process as required by OPR, section 6.5(1)(w). Alliance did demonstrate through its revised ORMS framework that it is in the process of developing an audit process.

Environmental Protection Program Audit Process

At the Environmental Protection program level, Alliance did not demonstrate that it had established and implemented a process to conduct audits as required. However, Alliance did conduct an audit of its EMS in 2014. The Board notes that while these audits could assess some of Alliance's legal requirements as it pertains to the Environmental Protection program, it would not account for all of the legal requirements as required in OPR, section 53.

Similarly, the audit conducted in 2014 was limited to a conformance review of internal processes, practices, and procedures and did not include any field verification activities to confirm that the Environmental Protection program would be effective as required by OPR, section 55.

Summary

The Board found that Alliance was undertaking many of the activities that are normally associated with a quality assurance program. The Board found, however, that Alliance had not organized them within a program as required by the OPR.

The Board also found that Alliance has not established and implemented a documented management system and Environmental Protection program process for conducting audits in accordance with section 53 of the OPR.

The Board found that Alliance was not able to demonstrate that it has undertaken audits consistent with OPR sections 53 and 55 requirements.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

4.4 Records Management

Expectations: The company shall have an established, implemented and effective process for generating, retaining, and maintaining records that document the implementation of the management system and its protection programs, and for providing access to those who require them in the course of their duties.

References:

OPR section 6.5(1)(p)

Assessment:

Management System and Environmental Protection Program Records Management Process

To demonstrate its compliance with OPR section 6.5(1)(p), Alliance provided the following documents:

- *Record and Information Management Policy;*
- *Document and Records Management Program;*
- *Records Management Practice;* and
- *Functional Records Classification and Retention Schedule.*

The Board found that while the specific OPR process requirements to generate, retain and maintain records to document the implementation of the management system and the protection programs could be accounted for by reviewing these documents in their totality, the Board requires that a singular management system process be established and implemented to ensure ease of use and understanding among company employees. Further, Alliance has developed an internal document hierarchy, which includes when processes (among other type of documents) should be developed and how these documents are defined. The Board reviewed this definition and it determined that it does align with the Board expectations; however, it is not being used consistently in the organization.

Despite the management system and Environmental Protection program process deficiency, Alliance was able to demonstrate that records documenting the implementation of the Environmental Protection program were being generated, retained and maintained. Examples provided to the Board included records verifying training, inspections, and the completion of corrective actions.

Summary

The Board found that Alliance had implemented consistent records management practices to document the implementation of its management system and Environmental Protection program.

The Board also found that Alliance has not established and implemented a management system and Environmental Protection program process that meets the OPR requirements.

Based on the Board's evaluation of Alliance's Management System and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

5.0 MANAGEMENT REVIEW

5.1 Management Review

Expectations: The company shall have an established, implemented and effective process for conducting an annual management review of the management system and each protection program and for ensuring continual improvement in meeting the company's obligations to perform its activities in a manner that ensures the safety and security of the public, company employees and the pipeline, and protection of property and the environment. The management review should include a review of any decisions, actions and commitments which relate to the improvement of the management system and protection programs, and the company's overall performance.

The company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes the performance of the company's management system in meeting its obligations for safety, security and protection of the environment and the company's achievement of its goals, objectives and targets during that year, as measured by the performance measures developed under the management system and any actions taken during that year to correct deficiencies identified by the quality assurance program. The company shall submit to the Board a statement, signed by the accountable officer, no later than April 30 of each year, indicating that it has completed its annual report.

References: OPR sections 6.5(1)(w)(x), 6.6

Assessment:

(Note - The sub-element is attributed to companies' senior management and Accountable Officer; therefore, the Board does not break up its review into governance and program levels.)

Annual Management Review of Management System and Environmental Protection Program Process

Alliance currently has several processes, practices and activities for conducting an annual management review of its management system and Safety Management program as follows:

- *Accountable Officer Report Process;*
- *Operational Excellence Management System – OEMS Management Review Process;*
- *EMS Management Review and Improvement Practice; and*
- *Health, Safety and Environment Management Committee (HSEMC) meetings.*

Upon review of the processes, practices and activities, as well as records supporting implementation of an annual management review, the Board noted the following:

- *Accountable Officer Report Process*
 - At the time of the audit, the process was not established as per the Board's working definition, as the document was approved in June 2015. However, interviews confirmed it was implemented by practice in order to prepare the *2014 Annual Accountable Officer Report*;

- The design of the process meets the Board’s working definition as it includes the Board’s common 5 w’s and h approach (who, what, where, when, why and how);
 - Process does account for a review of the management system and Safety Management program;
 - Process does not stipulate the type of protection program level information that is to be provided as part of the review;
 - Process does not stipulate who is responsible for completing the review of the management system; and
 - Process does not stipulate how the annual management reviews ensure continual improvement in meeting the company obligations to protect the safety and security of the people, the pipeline and for the protection of the environment.
- *OEMS Management Review Process*
 - The title refers to a process but the document itself refers to it as procedure;
 - As this process/procedure has been in place since 2008, it does meet the Board’s definition of established and implemented;
 - The design of the process meets Board’s working definition as it includes the Board’s common 5 w’s and h approach (who, what, where, when, why and how);
 - This review process/procedure is not integrated with the *Accountable Officer Report Process* referred to above;
 - Records reviewed by the Board verified that a quarterly assertion is conducted by the department owners to ensure that program level processes as they pertain to core functions are adequate and that key measures are on track;
 - Reviews are being completed at the process or department level, which does not ensure performance at the protection program level;
 - Review of the management system is not part of this process; and
 - Department level objectives and key measures within this review process do not align with the management system goals, objectives and targets established through Alliance’s practice as referred to in Sub-element 2.3 of this audit report.
- *EMS Management Review and Improvement Practice*
 - As prescribed, this practice is intended to describe how the HSMEC will conduct the review of the Environmental Protection program;
 - The practice also states these reviews are to be conducted quarterly and thus meets the frequency requirements of the OPR;
 - This practice is not integrated by process to either the *Accountable Officer Report Process* and *OEMS Management Review Process* referred to above; and
 - This practice does not meet the Board’s definition of a process as it does not include the Board’s common 5 w’s and h approach (who, what, where, when, why and how). Further, Alliance has a developed an internal document hierarchy, which includes when a process (among other type of documents) should be developed and how it is defined. The Board reviewed this definition and it determined that it does align with the Board expectations; however, it is not being used consistently in the organization.
- *HSMEC Committee Meetings*
 - Records provided to the Board from 2013 to date have demonstrated that these meetings have occurred quarterly;
 - The meetings include a review of incidents, performance of goals, objectives and targets as well as staff resourcing; and
 - This activity is not integrated by process to either the *Accountable Officer Report Process* and *OEMS Management Review Process* referred to above.

In summary, the Board notes that Alliance is conducting several activities to review its management system and Environmental Protection program. However, these activities are not integrated and thus do not meet the Board's management system and Environmental Protection program process requirements. Alliance will have to develop corrective actions to address the described deficiencies.

Management System Evaluation Process

While the Board has listed this requirement under sub-element 4.1 of the Protocol, Alliance indicated during the audit that its *Accountable Officers Report Process* is also used to evaluate the adequacy and effectiveness of the company's management system. In reviewing the content of this process and as set out above the Board notes the following:

- At the time of the audit, the process was not established as per the Board's working definition as the document was approved in June 2015. However, interviews confirmed it was implemented by practice in order to prepare the 2014 *Accountable Officer Report*;
- The design of the process meets Board's working definition as it includes the Board's common 5 w's and h approach (who, what, where, when, why and how); and
- Process does not explicitly indicate how the adequacy and effectiveness of the company's management system is evaluated and this would need to be inferred through several activities within the process.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance has not established and implemented a process for evaluating the adequacy and effectiveness of its management system. Alliance will have to develop corrective actions to address the described deficiencies.

Annual Report

According to OPR section 6.6, Alliance must complete its annual *Accountable Officer Report*, have it signed by the accountable officer, and submit confirmation of completion to the Board no later than April 30 each year. The Board confirmed that the *Accountable Officer Report* for the 2014 performance year was signed by the accountable officer and confirmation of completion was submitted to the Board on April 17, 2015.

Alliance develops an annual *Accountable Officer Report* that summarizes the performance of its OEMS and supporting protection programs. Alliance divides the report into five main parts:

- Overview of protection programs and managements;
- Performance management: management system goals and results;
- Quality assurance;
- Progress against the previous year's improvement recommendations; and
- Recommendations for the coming year.

Upon review of the annual *Accountable Officer Report*, the Board noted that the report does describe the performance of the company's management system in meeting its obligations to ensure the safety and security of the people, the pipeline and the protection of the environment.

In addition, the report also describes the company's achievement of its established goals, objectives and targets. The annual *Accountable Officer Report* also includes a section that describes the quality assurance activities that occurred in that year. However, Alliance's annual *Accountable Officer Report* does not specify the actions taken during that year to correct any deficiencies identified by the quality assurance program. Thus, it is unclear whether the accountable officer is aware of these actions and deficiencies.

Management Responsibility

Further to the review of these processes and activities, the Board notes that Alliance has not conducted audits consistent with its OPR obligations. The Board views the responsibility for undertaking these audits as resting with the company's senior management (as represented by its accountable officer) as the annual report developed as per OPR specifically requires review and reporting on aspects of the Quality Assurance Program (specifically including audits) and the performance of the management system in meeting its obligations under OPR section 6.

Summary

The Board found that Alliance had developed processes for and undertaken activities relating to its Management Review responsibilities.

The Board also found that Alliance's processes did not meet all of the requirements outlined in the OPR.

The Board also found that some of the Non-Compliant findings in this audit are related to sub-elements where Alliance's Senior Management has responsibilities to ensure that management direction, oversight and formal monitoring are occurring.

Based on the Board's evaluation of Alliance's management system and Environmental Protection program against the requirements, the Board has determined that Alliance is Non-Compliant with this sub-element. Alliance will have to develop corrective actions to address the described deficiencies.

Compliance Status: Non-Compliant

ⁱThe "References" in this table contain specific examples of the legal requirements applicable to each element but are not exhaustive and do not represent a complete list of all applicable legal requirements audited to, which are found within the NEB Act and its associated regulations, as well as other applicable legislation, technical and other standards including the *Canada Labour Code* and CSA Z662, and any conditions contained within applicable certificates or orders enforced by the Board.

APPENDIX II
ALLIANCE PIPELINE LTD.
MAPS AND SYSTEM DESCRIPTIONS



Figure 1: Alliance Pipeline System

The Alliance pipeline system within Canada, shown in Figure 1, consists of 1,600 km of natural gas pipelines that extends from NE British Columbia and NW Alberta to a point on the international border near Elmore, Saskatchewan. The system then continues into the United States to its terminus near Chicago, Illinois.

APPENDIX III
ALLIANCE PIPELINE LTD.
COMPANY REPRESENTATIVES INTERVIEWED
ENVIRONMENTAL PROTECTION PROGRAM

Company Representative Interviewed	Job Title
[REDACTED]	Senior Corporate Counsel and Chief Compliance Officer
[REDACTED]	Team Lead, Corporate Applications
[REDACTED]	Administrative Assistant – Grande Prairie
[REDACTED]	Regina Area Maintenance Technician – EI&C
[REDACTED]	Director, Regulatory Affairs
[REDACTED]	Grande Prairie Area Maintenance Technician – EI&C
[REDACTED]	Regina Area Maintenance Technician – EI&C
[REDACTED]	Kerrobert Area Maintenance Technician – Mech
[REDACTED]	Team Lead, Learning & Development
[REDACTED]	Emergency Preparedness and Compliance Coordinator
[REDACTED]	Technical Lead
[REDACTED]	Morinville/Whitecourt Area Manager
[REDACTED]	Environmental Advisor
[REDACTED]	Morinville/Whitecourt Maintenance Technician – Mech
Derek Riphagen	Vice President – System Integrity and Operational Compliance
[REDACTED]	Regina Area Maintenance Technician – Mech

[REDACTED]	Grande Prairie Area Maintenance Technician – EI&C
[REDACTED]	Manager, Land ROW and Corridor
[REDACTED]	Specialist, Regina/Kerrobert Area Land, ROW and Corridor Representative
[REDACTED]	Regina Area Maintenance Technician
[REDACTED]	Grande Prairie Area Corridor Representative
[REDACTED]	Manager, Health & Safety
Jim Walsh	Vice President, Pipeline Operations & Engineering
[REDACTED]	Grande Prairie Area Maintenance Technician – Pipeline
[REDACTED]	Morinville/Whitecourt Maintenance Technician – Mech
[REDACTED]	Learning & Development
[REDACTED]	Learning & Development
[REDACTED]	Morinville/Whitecourt Maintenance Technician – Mech
[REDACTED]	Morinville/Whitecourt Maintenance Technician – Instrumentation
[REDACTED]	Kerrobert Area Maintenance Technician - EI&C
[REDACTED]	Kerrobert Area Maintenance Technician - Mech
[REDACTED]	Administrative Assistant – Morinville/Whitecourt
[REDACTED]	Kerrobert Area Manager
[REDACTED]	Grande Prairie Area Maintenance Technician – Pipeline
[REDACTED]	Regulatory Coordinator
[REDACTED]	Manager, Environment
[REDACTED]	Health and Safety Advisor – Morinville/Whitecourt
[REDACTED]	Administrative Assistant – Regina Area

Terrance Kutryk	President and CEO
██████████	Morinville/Whitecourt Maintenance Technician – Mech
██████████	General Manager
██████████	Morinville/Whitecourt Maintenance Technician – EI&C
██████████	Coordinator, Operational Compliance
██████████	Grande Prairie Area Manager
██████████	Director, Operational Compliance

APPENDIX IV
ALLIANCE PIPELINE LTD.
DOCUMENTS REVIEWED – ENVIRONMENTAL PROTECTION PROGRAM

NAME
0.0 Concordance Table - Corporate Documents.pdf
0.0 Environment Management System Concordance Table.pdf
2013 Accountable Officer Report
2013 Annual Management Systems Report_NEB Letter.pdf
2014 Accountable Officer Report
Accountability Agreement Guide.pdf
Accountability Agreement Overview.pdf
Accountability Agreement Template 2014.pdf
Alliance Org Chart (August 8, 2014 Version).pdf
Appointment of Accountable Officer and Acceptance of Responsibilities.pdf
BDD-BUSPROC-0018 Field Operations MOC Process.PDF
BDD-BUSPROC-0020 Interaction Plan for Tech Services, E&P Projects and Field Operations.pdf
BDD-BUSPROC-0022 WO Philosophy and Maintenance Planning Business Process.pdf
BDD-BUSPROC-0027 HSE MOC Process Diagram.pdf
BDD-MGMT-0002 Environmental Management System (EMS).pdf
BDD-MGMT-0005 Learning and Development Management System.pdf
BDD-PLCY-0032 Code of Business Conduct Policy.pdf
BDD-PLCY-0035 Health and Safety Policy.pdf
BDD-PLCY-0045 Environment Policy.pdf
BDD-PLCY-0055 Health Safety and Environment Management Committee Charter.pdf
BDD-PLCY-0056 Health and Safety Representatives Committee Charter.pdf
BDD-PLCY-0060 Records and Information Management Policy.PDF
BDD-PLCY-0062 Operational Risk Management System Policy.pdf
BDD-PLCY-0064 Health Safety and Environment (Board) Committee Charter.pdf
BDD-PRAC-0002 Records Management Practice.PDF
BDD-PROC-0007 Managing Controlled Documents Procedure.pdf
BDD-PROG-0001 Information Governance Program.PDF
BDD-PROG-0004 Emergency Management Program.pdf
COM-PLAN-0001 Crisis Communication Plan.pdf
Construction-Maintenance Health & Safety Plan (NEB Letter).pdf
DRM-SCHD-0001 Functional Records Classification and Retention Schedule.pdf
EM-007_042815_NEB Audit_OEMS & ORMS Overview_June 18,2015.pdf
EM-012_042815_NEB Audit_CCMS Briefing Paper_Appendices_June 10, 2015.pdf
EM-012_042815_NEB Audit_CCMS Briefing Paper_June 10, 2015.pdf
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