

May 3, 2016

Mr. Howard Wallace
Senior Advisor, Pipeline Sector
Alberta Energy Regulator
Suite 1000, 250 – 5th Street SW
Calgary, AB T2P 0R4

Mr. Brian Shand
Director, Gas Facilities
Alberta Utilities Commission
Fourth floor, 425 1 St. SW
Calgary, AB T2P 3L8

Dear Sirs:

Re: Radiographic Weld Inspection – ATCO Pipelines

ATCO Pipelines wishes to voluntarily self-disclose a deficiency related to the radiographic inspection of its pre-fabrication welds.

Following an internal investigation, ATCO Pipelines determined that third-party subcontractors commissioned to provide radiographic inspection services for its pre-fabrication welding did not follow industry standards. Specifically, the subcontractor failed to identify or flag the presence of rejectable defects within pre-fabrication welds for remedial action.

The integrity of these pre-fabricated components remains intact and all welds were successfully hydrostatically tested prior to being released to the field. However, in keeping with the company's commitment to ensuring the safety and reliability of its system, ATCO Pipelines has developed a proactive work plan to address the issue.

To remedy these deficiencies, ATCO Pipelines will assess all affected pre-fabrication welds that were made between 2008 and 2015. While not all of the welds will require repair, ATCO Pipelines is taking every precaution to ensure any weld deemed unacceptable through an engineering evaluation is remediated. ATCO Pipelines has prioritized the re-inspection of large diameter welds in populated areas and expects to complete any necessary repairs to those by the end of 2016. The remainder will be completed prior to the end of 2019. We estimate that approximately 90 per cent of the affected welds are located above ground and most are installed at ATCO facilities. As such, we expect minimal impact to our customers or the public.

Until identified features can be repaired, ATCO Pipelines has implemented additional pressure monitoring requirements and limitations on individual pipeline systems. To prevent a recurrence, ATCO Pipelines and its pre-fabrication service provider have addressed the radiography issue by:

- Retaining a different radiographer
- Engaging periodic third party review of weld inspection
- Providing leading indicator feedback to welders

ATCO also intends to pursue legal action against the subcontractors responsible for the substandard inspections.

Should you have any questions or comments, please contact me directly at 780-420-7225.

Sincerely,



Graeme Feltham, P.Eng, MBA
Vice President, Engineering & Construction
ATCO Pipelines