

File OF-Surv-OpAud-V044-2018-2019-01  
15 May 2019

Mr. Don Althoff  
Accountable Officer  
Veresen Energy Pipeline Inc.  
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Calgary, AB T2P 1G1  
Email: [REDACTED]

Dear Mr. Althoff:

**Notification of the National Energy Board's (Board or NEB)  
Final Audit Report Veresen Energy Pipeline Inc. (Veresen)**

Please find enclosed a copy of the Final Audit Report for the audit the Board conducted of the Veresen Quality Assurance (QA) Program during the period from October 2018 to January 2019. The Board is providing the report for Veresen's necessary action.

On 17 October 2019, the Board notified Veresen of its intent to audit the company with the objective of verifying that Veresen had established and implemented a QA Program as part of its management system that meets the requirements of the *National Energy Board Onshore Pipeline Regulations* (OPR). The scope of the audit included quality assurance aspects of the Veresen management system and its section 55 programs as applied across its NEB-regulated facilities, covering all life-cycles in accordance with the requirements of the OPR.

To evaluate Veresen's compliance with the requirements of the 14 protocol items for the QA Program audit, the Board reviewed a sample of its documents and records and conducted interviews with company personnel on issues relevant to the audit objective and scope.

A copy of the Draft Audit Report was delivered to Veresen on 27 March 2019 for the company's review and comment. The company provided its comments to the Board in a letter dated 25 April 2019, which the Board took into consideration when preparing the Final Audit Report.

In consideration of the findings of non-compliance, the Board concludes that, at the time of the audit, Veresen had not established the required QA Program.

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Veresen is to develop and submit to the Board for review and approval, a corrective and preventive action (CAPA) Plan to address the deficiencies noted in this report within 30 calendar days of the date of this audit report. The Board will make its final audit report and the Veresen approved CAPA Plan public on the Board's website.

The Board also notes that Veresen has not established and implemented a management system in accordance with the OPR. In addition to the CAPA Plan, Veresen is required to take immediate action to bring its management system into alignment with sections 6.1 to 6.5 of the OPR and advise the Board of its intended timeline to complete this task when it delivers its CAPA Plan to the Board.

The Board will assess the implementation of all of the Veresen CAPAs to confirm they are completed in a timely manner and on a system-wide basis until they are fully implemented.

If you require any further information or clarification, please contact Mark Tinney, Lead Auditor, at 403-966-1065.

Yours truly,

*Original signed by L. George for*

Sheri Young  
Secretary of the Board

c.c. Mr. Neil Guay, [REDACTED]  
[REDACTED]

National Energy  
Board



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**Veresen Energy Pipeline Incorporated**

**Final Audit Report  
Quality Assurance Program Audit**

**Compliance Verification Activity: CV1819 - 430  
File: OF-Surv-OpAud-V044-2018-2019-01**

**Veresen Energy Pipeline Inc.  
585 – 8th Avenue SW, Suite 4000  
Calgary, AB T2P 1G1**

**Date: 15 May 2019**

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## Executive Summary

During the period from October 2018 to January 2019, the National Energy Board (NEB or the Board) conducted an audit of Veresen Energy Pipeline Incorporated (Veresen) to verify whether the company has established and implemented a Quality Assurance (QA) Program as part of its management system that meets the requirements of the *National Energy Board Onshore Pipeline Regulations* (OPR) s. 6.5(1)(w). The audit was conducted using the protocol listed in Appendix 1 of this report.

Information provided by Veresen indicates that it has contracted Encana Corporation (Encana) as its Operator to operate its Board-regulated facilities. The Board considered this arrangement when undertaking this audit of Veresen. The Board notes that, regardless of the operating contracts in place, the Board holds Veresen accountable for its regulatory compliance. This includes formally ensuring that a QA Program is in place for its federal regulated assets that meets OPR requirements. With that in, the Board considered information provided by both Veresen and its Operator.

It was noted by the Board that Veresen does not appear to have a management system that complies with the requirements of the OPR. One of the benefits of having a systematic, explicit, comprehensive and proactive management system with the necessary processes as described in the OPR s. 6.5(1)(a to x) is that it ensures that the company establishes and implements a QA Program across all program areas and integrates the inputs and outputs of its quality assurance activities with other essential elements of the management system.

The Board found that many of the non-compliances identified in its audit report were due to a failure by the Certificate Holder (Veresen) to identify and ensure the integration of the legal requirements that are applicable to its federally regulated facilities into the processes and procedures used to execute the operational and quality assurance activities of its facilities.

The deficiencies related to the QA program noted by the Board are summarized as follows:

- No process for setting objectives and targets to achieve the company's policies and goals;
- No documented process for identifying and monitoring compliance to Veresen's legal requirements that meets the Board's expectations for a process;
- No list of legal requirements applicable to Veresen and its federally regulated assets;
- No documented process for the internal and external communication of Veresen's QA information that meets the Board's expectations for a process;
- No documented process that meets the Board's expectations for a process, to manage changes internally to Veresen or to the company's pipeline assets operated by its contracted Operator;
- No documented process for generating, retaining and maintaining records;
- No documented process that meets the Board's expectations for a process, for inspecting and monitoring the company's activities or management system for compliance, adequacy and effectiveness; and
- Inadequate processes for conducting program audits.

Notwithstanding the above, through interviews with Veresen staff and a review of the information provided by the company, the Board was satisfied that the company, through its contracted Operator, is conducting the necessary quality assurance activities to be safe as it develops a comprehensive quality assurance program to direct its Operator.

The Board requires Veresen to develop a Corrective and Preventive Action (CAPA) Plan to address the findings noted in this report and submit it to the Board for approval. While the observations associated with the deficient management system will not constitute non-compliant findings, requiring the submission of a CAPA Plan to address it, the Board expects Veresen to take immediate action to bring it into alignment with the requirements of the OPR. The Board will assess the implementation of the CAPA Plan to confirm it is completed in a timely manner

and on a system-wide basis. The Board will make its Final Audit Report and the approved CAPA Plan public on the Board's website.

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## 1.0 Introduction

The National Energy Board (NEB or the Board) expects companies to establish and implement effective management systems and protection programs and a strong culture of safety, all of which are fundamental to keep people safe and protect the environment. One of the requirements of the *National Energy Board Onshore Pipeline Regulations* (OPR) is for companies to establish and implement a Quality Assurance (QA) Program for the management system and each program referred to in section 55 of the OPR, including a process for conducting inspections and audits and for taking corrective and preventive actions if deficiencies are identified.

In accordance with subsection 49(3) of the *National Energy Board Act*, the Board conducted an audit of the Veresen Energy Pipeline Incorporated (Veresen) QA Program during the period from October 2018 to January 2019. An audit announcement letter and initial information request (IR) was sent to the company on 17 October 2018 advising Veresen of the Board's plans to conduct the audit and the audit's objective. On 30 October 2018, NEB Staff met with representatives of Veresen as well as those of Encana Corporation (Encana) and Pembina Pipeline Corporation (Pembina) to conduct the opening meeting for the audit. At that meeting, Veresen advised the NEB that Encana was the Operator of the NEB-Regulated assets for which Veresen holds the Board's Certificate to Operate.

Document review began on 19 December 2018 and on-site interviews were conducted during the period 15 – 16 January 2019. Subsequent to the on-site portion of the audit, and in response to an information request (IR) dated 16 January 2019, Veresen uploaded additional documents for review on 24 January 2019. NEB Staff reviewed the additional documents and took the supplied information into consideration when assembling the pre-closeout summary of information gaps which was presented to Veresen on 11 February 2019. At that time, Veresen was given an additional week to provide any additional documents which it believed could help resolve any of the information gaps. The audit was conducted using the protocol listed in Appendix I of this report. Abbreviations used in this audit report can be found in Appendix II.

### 1.1 Audit Objective

The objective of this audit was to verify whether Veresen has established and implemented a QA Program as part of its management system that meets the requirements of s. 6.5(1)(w) of the OPR. Specifically, the Board audited the Veresen QA Program and its linkages to the company's management system, the section 55 programs and operational activities.

### 1.2 Audit Scope and Methodology

As this audit focused on the company's QA Program and related activities, the regulatory scope of the audit included certain, relevant sections of the OPR. The scope also included aspects of the Veresen management system and its section 55 programs as applied across its facilities regulated by the NEB, covering all life-cycles.

To evaluate Veresen's compliance, the Board reviewed a sample of the company's documents and records and conducted interviews with company personnel. In reviewing the company's documents, the Board was looking for evidence that Veresen was providing oversight of the

activities being carried out on its behalf by its contracted Operator in addition to general compliance to the OPR.

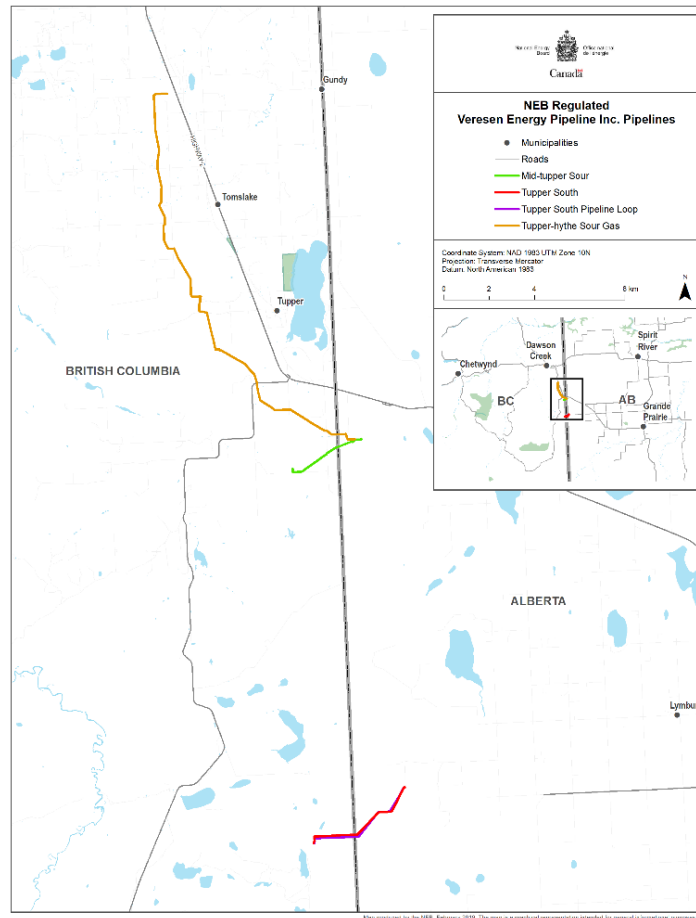
## 2.0 Company Overview

Veresen is a Canadian energy infrastructure company with its head office in Calgary. The company owns assets in the Cutbank Ridge area in the provinces of Alberta and British Columbia, which were acquired from Encana in 2012 and 2015 and have continued to be operated and maintained by Encana under contract with Veresen.

The NEB-regulated assets for which Veresen holds the Certificate to Operate are shown in Figure 1 and consist of:

- The Tupper-Hythe Pipeline, which is a 23 kilometre (km) pipeline running between British Columbia (BC) and Alberta (AB), carrying sour natural gas;
- The Mid-Tupper pipeline, which is a 3.8 km pipeline running between BC and AB carrying sour natural gas;
- The Tupper South Gas Pipeline, which is a 5.4 km pipeline running between BC and AB carrying natural gas; and
- The Tupper South Pipeline loop, which is a 5.4 km pipeline running between BC and AB carrying natural gas.

**Figure 1: NEB-Regulated Veresen Pipelines**





The Certificate to Operate the above-listed pipelines was issued by the Board to Veresen, and as of the time of the audit, remained under Veresen's control.

### **3.0 Quality Assurance Program Assessment**

#### **3.1 Requirements and Expectations for Quality Assurance Programs**

The Board requires each regulated company to establish and implement a QA Program as the documented framework for scheduled verification activities that include inspections and audits for monitoring compliance to legal requirements and assuring environmental and safety outcomes, among other things. These verification activities must also be linked to a process that tracks and manages any deficiencies noted in QA activities within its management system and protection programs to check compliance, to ensure that the company is meeting its obligations outlined in the OPR section 6 and to identify opportunities for continual improvement.

The Board expects its regulated companies to ensure that management systems that meet the requirements of the OPR are established and implemented. In addition, companies must ensure the development, implementation and maintenance of the programs required to execute the management system processes that promote ongoing safety and environmental protection. According to the 7 October 2016 edition of the OPR Guidance Notes, a program is defined as:

- *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.*

Among the OPR programs that companies are required to establish is a quality assurance program; specifically, the OPR s. 6.5(1)(w) requires companies to:

- *Establish and implement a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting audits in accordance with section 53 and for taking corrective and preventive actions if deficiencies are identified.*

The Board expects NEB-regulated companies to review their management systems and ensure that each protection program be developed and executed within a documented framework that meets the definition of a program. The QA Program is to be a documented framework for scheduled verification activities, including, among other quality assurance activities, inspections and audits, for monitoring compliance to legal requirements and ensuring required environmental and safety outcomes. The documented program must describe, direct, coordinate, plan and manage the quality assurance activities in accordance with a pre-determined scheme. These activities must also be linked to a process that tracks and manages any deficiencies noted in quality assurance activities within its management system and the protection programs to ensure that corrective and preventive actions are developed and implemented to address the deficiencies and to identify opportunities for continual improvement.

### 3.2 Assessment of Veresen's Quality Assurance Program

The Board is of the view that s. 6.5(1)(w) sets out the Certificate Holder's obligation to ensure that a documented QA Program is established and implemented. The QA Program should consist of a documented framework and a clear strategy for activities including scheduled assessments, inspections and audits that ensure the management system and protection programs are adequate, effective, compliant and implemented.

Overall, the Board noted that, although Veresen does conduct some inspection, monitoring and program audit activities and has some documents to support these activities, they are not being conducted as part of a directed, and fully documented QA Program that meets the requirements of the OPR. Taking into consideration the scope of this audit, the Board identified a number of deficiencies which are summarized in Table 1 and explained in detail in Appendix I.

#### Responsibilities of the Certificate Holder

As noted throughout this audit report, Veresen has entered into an agreement for the operation of these facilities with EnCana. With a Certificate Holder/Operator regime like this one, the Board holds the Certificate Holder responsible to ensure the implementation of quality assurance processes that verify all regulatory and technical obligations are being met. It is essential to understand that a contract to operate facilities on a Certificate Holder's behalf does not release the Certificate Holder from its obligation to ensure that its legal and other requirements are being met.

Consequently, Veresen bears ultimate responsibility for overseeing compliance of the operational programs (including the QA Program) and the adequacy, implementation and effectiveness of the processes within these programs. For its part, Veresen is required to establish a QA Program that describes what oversight activities it, as the Certificate Holder, will undertake to confirm that its Operator is operating in compliance with an established management system, applicable legal requirements and program goals.

With that in mind, the Board reviewed information provided by both Veresen and its Operator. The Board found that many of the non-compliances noted were due to a failure by the Certificate Holder to identify and ensure the integration of the legal requirements that are applicable to its federally regulated facilities into documented processes and procedures to describe the quality assurance activities designed to ensure its facilities are being operated in accordance with legal requirements.

#### Current Oversight Summary

Veresen provided its *Veresen Midstream Limited Partnership (VMLP) Assurance Plan for Contract Operated Assets* (the Plan) for review. The Plan describes Veresen's approach for ensuring its contracted Operator will operate its assets in accordance with established contract arrangements and in compliance with applicable regulations. The Plan also outlines the quality assurance oversight activities that Veresen will carry out to evaluate its Operator's management

system and programs. However, the Board found the Plan to be deficient in the specific details of the quality assurance activities to be conducted to verify compliance to OPR requirements.

Additionally, Veresen provided the Board with a copy of the *Contract Operating Agreement* (the COA) between itself and its Operator. This document outlines the Contractor's responsibilities for conducting field activities. Similar to the Board's issues of concern with the Plan, the Board found the COA to be deficient in quality assurance details as well.

The Board's review of the documentation indicates that, although Veresen has incorporated third party audits of its Operator's programs and activities into its oversight plan, Veresen has not demonstrated how it will formally apply that independent review into its ongoing direction and oversight of the QA Program. For example, the Operator demonstrated that it was undertaking facility inspections and other operationally related checks. While this aids in the demonstration of safety and environmental protection, Veresen has not ensured that these activities are the result of a documented QA Program that verifies compliance to federal requirements and the adequacy of the programs in meeting safety and environmental outcomes.

Veresen did provide a number of its own documents and records in response to the Board's information request; however, the Board noted that a number of the documents provided were developed by its Operator. The QA activities reported as being carried out by the Operator were being carried out without sufficient oversight or management by Veresen. While the Operator did demonstrate that some (but not all) of the above activities were being undertaken as part of its operating practices, the lack of a complete, documented QA strategy and Program has resulted in non-compliance.

Although the NEB did not specifically review the company's management system, from the review of the documents and records provided and the interviews conducted, the Board is of the view that Veresen has not established a management system for oversight in alignment with the requirements of the OPR. Although the verification that Veresen has a compliant management system was beyond the scope of the audit, the Board has an obligation to demand that a company take corrective actions when it is found that a company's documentation, processes or activities are not in alignment with the requirements of the OPR.

Notwithstanding the expectations and deficiencies identified above, Veresen was able to demonstrate that it has implemented certain aspects of the required oversight expected by the Board. For example, Veresen provided information that it had reviewed and monitored contractor established performance goals, commissioned third party audits, and attended quarterly and annual management review meetings with its Operator.

### 3.3 Types of Audit Findings

There are two possible types of audit findings which can be assigned to each audit protocol item evaluated by the Board in this audit:

- No Issues Noted – *No non-compliances were identified during the audit based on the information provided and reviewed within the context of the scope of the audit; and*

- Non-compliant - *an evaluated regulatory requirement 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 and preventative action plan must be developed and implemented.*

#### **4.0 Conclusion**

In conclusion, the Board found that Veresen, as the Certificate Holder, has outlined some of its operator oversight activities and expectations in its *VMPL Assurance Plan for Contract Operated Assets*. However, upon review, the Board noted several gaps between the Plan and OPR requirements.

Of the 14 protocol items that were assessed during the audit, the Board found Veresen to be non-compliant in all of them as they relate to the QA Program.

In spite of the Board's conclusion, through document and record review, and interviews and discussions with Veresen and its Operator, the Board was satisfied that Veresen is conducting sufficient oversight activities over its Operator to maintain safety and protect the environment as it develops a documented, comprehensive QA Program.

Many of the non-compliances were the result of Veresen's failure to ensure that the OPR requirements were being met. For the QA Program, as the Certificate Holder, Veresen is responsible for demonstrating oversight to ensure that its Operator is implementing the processes and programs to address the OPR requirements.

The Board requires Veresen to develop and submit a CAPA Plan to address the Board's Non-Compliant findings detailed in Appendix 1. The CAPA Plan must describe the company's analysis of its deficiencies and its proposed methods and timeframe to resolve them. Veresen is required to submit its CAPA Plan for approval within 30 days of the Final Audit Report being issued by the Board.

Although outside the scope of this audit, the Board requires Veresen to take immediate action to bring its management system into alignment with the requirements of the OPR.

The Board will assess the implementation of the Veresen CAPA Plan to confirm that it is fully implemented in a timely manner on a system-wide basis, and that the necessary safety of employees, the public, and protection for the environment are maintained.

The Board will make its Final Audit Report and the Veresen approved CAPA Plan available on the Board's website.

**Table 1: Summary of Findings**

Audit Protocol (AP) Item	OPR Section	Topic	Status	Summary of Assessment
AP-01	s. 6.5(1)(w)	<b>Quality Assurance Program</b>	Non-Compliant	<p>Although Veresen provided evidence of a degree of oversight and independent review of its contracted Operator, and its Operator is carrying out some QA activities, Veresen did not demonstrate that these activities are being performed as part of a documented QA Program.</p> <p>In addition, Veresen did not demonstrate that it has a documented process that meets the Board's expectations for a process, to direct, approve and independently manage any quality assurance activities for the management system and the section 55 programs.</p>
AP-02	s. 6.5(1)(a)	<b>Goals, Objectives and Targets</b>	Non-Compliant	<p>Veresen was unable to demonstrate that it has established and implemented policies and goals in accordance with the OPR s. 6.3(1) or that it has established and implemented a process for setting objectives and targets for its QA Program to achieve the company's policies and goals or a process to monitor them.</p>
AP-03	s. 6.5(1)(g)	<b>Legal Requirements</b>	Non-Compliant	<p>As the Certificate Holder, Veresen did not demonstrate that it has a process to identify and monitor the legal requirements that are applicable to its operations, and to formally communicate those requirements to its Operator. In addition, Veresen did not demonstrate that it has verified that its Operator has a process to monitor compliance to NEB and other requirements applicable to Veresen's facilities.</p>
AP-04	s. 6.5(1)(h)	<b>Legal List</b>	Non-Compliant	<p>Veresen has not established a list of legal requirements at the appropriate level of detail.</p>

Audit Protocol (AP) Item	OPR Section	Topic	Status	Summary of Assessment
AP-05	s. 6.5(1)(i)	Management of Change	Non-Compliant	<p>The company did not demonstrate that the lessons learned and corrective actions from quality assurance activities are tracked utilizing a management of change (MOC) process established and implemented by Veresen.</p> <p>The documents provided by Veresen do not explain the process that Veresen uses to manage internal changes that may impact its NEB-Regulated assets or how it applies and integrates its MOC process with its Operator when changes on Veresen's assets are deemed necessary.</p>
AP-06	s. 6.5(1)(m)	Internal and External Communications	Non-Compliant	Veresen was unable to demonstrate that there is a documented process in place to ensure the timely communication of matters associated with quality assurance activities related to safety, security and protection of the environment between Veresen and its Operator and with external stakeholders.
AP-07	s. 6.5(1)(n)	Identifying Required Documents	Non-Compliant	Veresen did not demonstrate that it has established and implemented a process for identifying the quality assurance documents needed to meet the obligations under the OPR s. 6.
AP-08	s. 6.5(1)(o)	Document Control	Non-Compliant	Veresen was unable to demonstrate that there is a documented process in place for preparing, reviewing, revising and controlling the documentation required for its QA Program.
AP-09	s. 6.5(1)(p)	Records Management	Non-Compliant	Veresen did not demonstrate that it has implemented a process for generating, retaining and maintaining records that document the implementation of the QA Program for the management system and the OPR s. 55 programs.



Audit Protocol (AP) Item	OPR Section	Topic	Status	Summary of Assessment
AP-10	s. 6.5(1)(u)	<b>Inspect and Monitor</b>	Non-Compliant	Veresen did not demonstrate that there is an established and implemented process for Veresen or independent third party to inspect and monitor the Company's facilities and Operator's activities to evaluate the compliance, adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified.
AP-11	s. 6.5(1)(v)	<b>Evaluating Adequacy and Effectiveness of the Management System</b>	Non-Compliant	Veresen did not demonstrate that it has a documented process for evaluating the adequacy and effectiveness of its own management system or that of its contracted operator including how it is monitoring, measuring and documenting the Operator's performance in meeting Veresen's obligations under section 6 of the OPR.
AP-12	s. 6.5(1)(x)	<b>Annual Management Review</b>	Non-Compliant	Veresen did not demonstrate that it has established a process for conducting (or participating in) an annual management review that includes a review of the QA Program to ensure continual improvement in meeting the company's obligations under section 6 of the OPR.
AP-13	s. 53(1)	<b>Compliance Audits and Inspections</b>	Non-Compliant	<p>Although it has commissioned third party audits of the management system and selected programs, Veresen did not demonstrate that it has a documented process to ensure that inspections and audits are being conducted in order to verify the adequacy and effectiveness of its Operator's programs and compliance to the OPR requirements as part of a documented QA Program.</p> <p>Additionally, Veresen was unable to demonstrate that its Operator conducts inspections and audits, on its behalf, that verifies compliance to all of the legal requirements applicable to Veresen.</p>



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Audit Protocol (AP) Item	OPR Section	Topic	Status	Summary of Assessment
AP-14	s. 55(1)	Program Audits	Non-Compliant	Although it has commissioned third party audits of selected section 55 programs, Veresen did not demonstrate that it is conducting audits of each section 55 Program as part of a documented QA Program.



## Appendix I: Audit Assessment Tables

### AP-01: Quality Assurance Program

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(w)</b> establish and implement a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting audits in accordance with section 53 and for taking corrective and preventive actions if deficiencies are identified.</p>	
	<b>Assessment</b>
Accountabilities	<p>As part of a Contract Operating Agreement between Veresen and its Operator, the Operator is responsible for conducting the quality assurance activities.</p> <p>As the certificate holder, Veresen has also implemented a <i>VMLP Assurance Plan for Contract Operated Assets</i> which outlines the activities Veresen will undertake over the next 3 years to obtain baseline data for its oversight.</p>
Program	<p>Veresen provided the Board with a copy of the 2012 <i>Contract Operating Agreement</i> (the COA). This document describes the operating agreement between Fort Chicago Pipelines, as the owner of the pipelines, and Encana Corp. as the contractor to operate the pipelines. As such, Veresen has contracted the operation of its facilities to an Operator, including the requirements to conduct quality assurance activities.</p> <p>As the certificate holder, Veresen has established a documented oversight plan titled <i>The VMPL Assurance Plan for Contract Operated Assets</i> that states :</p> <p style="padding-left: 40px;"><i>“VMLP is responsible for assuring worker safety and regulatory compliance across all its assets including those that are Contract Operated by Encana. This Assurance Plan establishes the approach that will be used to ensure Encana is compliant with applicable legislation / regulations / industry standards.”</i></p> <p>Within this plan, Veresen outlines oversight activities such as audits of the protection programs and the management systems.</p> <p>The Board reviewed this plan and notes the following deficiencies:</p> <ul style="list-style-type: none"> <li>• According to the plan, Veresen has reviewed and approved its Operator’s current management system. Although records demonstrate that Veresen contracted a third party to audit its Operator’s management system and certain</li> </ul>

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(w)</b> establish and implement a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting audits in accordance with section 53 and for taking corrective and preventive actions if deficiencies are identified.</p>	
	<b>Assessment</b>
	<p>programs, there are no records to demonstrate that the identified deficiencies were addressed or that this process of auditing will continue in accordance with a QA Program established by Veresen.</p> <ul style="list-style-type: none"> <li>• The Plan states that it applies to the assets under the jurisdiction of the Alberta Energy Regulator and the British Columbia Oil and Gas Commission, but does not specifically include reference to the NEB. Therefore, because the Plan is silent regarding compliance to NEB requirements, it is unclear if it applies to Veresen’s federally regulated, contract Operator operated facilities.</li> <li>• While the Plan mentions verification activities such as audits of its Operator’s section 55 programs as well as assessments of effectiveness for its management system, it does not outline the framework that will be implemented to verify compliance to OPR requirements as required by OPR section 53.</li> <li>• The Plan does not include a description of how Veresen will continue to meet its own commitment to <i>“establishes the approach that will be used to ensure Encana is compliant with applicable legislation / regulations / industry standards.”</i></li> <li>• The Plan does not meet the definition of a program which is required by OPR s. 6.5(1)(w). According to the OPR Guidance Notes, a program is defined as:             <ul style="list-style-type: none"> <li>• <i>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.</i></li> </ul> </li> </ul>
Supporting Procedures	Veresen did not provide additional documentation to support the implementation of the Plan.
Integration and Application	The <i>VMLP Assurance Plan for Contract Operated Assets</i> did include “the relevant” aspects of the Operator’s Operations Management System that will be used as guidance for auditing engineering and projects. It does not explain how it has identified these “relevant” aspects for the programs or how it will account for the remaining requirements. Given that compliance cannot be risk managed, it is unclear how Veresen intends to verify that its Operator is conducting all the necessary quality assurance activities to confirm compliance to regulatory requirements.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,

**OPR s. 6.5(1)(w)** establish and implement a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting audits in accordance with section 53 and for taking corrective and preventive actions if deficiencies are identified.

**Assessment**

**FINDING: Non-Compliant**

**Although Veresen has developed and implemented VMLP Assurance Plan for Contract Operated Assets, (the Plan) to document its Operator oversight plan, the Board has identified the following deficiencies:**

- 1. The Plan does not clearly outline how Veresen directs and approves the framework of activities including scheduled assessments, inspections and audits for its Operator’s management system and protection programs to verify their adequacy, effectiveness and compliance.**
- 2. The Board finds that section 1.1 of the Plan related to Audit Approach Methodology and Process does not, in fact, constitute a process.**
- 3. Veresen did not demonstrate that it has verified that its Operator has a process for taking corrective and preventive actions if deficiencies are identified that relate to regulatory non-compliance. The template provided for review was designed to address issues of non-conformance to internal procedures.**
- 4. Veresen did not demonstrate that there is a QA Program in place for its federally regulated facilities that meets the requirements of the OPR.**
- 5. As the certificate holder, the Board requires Veresen to demonstrate that it has an ongoing plan in place to provide oversight over an Operator to ensure the Operator is meeting OPR requirements. To that end, Veresen must implement and maintain an oversight plan that formalizes its ongoing direction and outlines how it will verify that its Operator’s management system and protection programs are adequate, effective and compliant.**

**The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-02: Goals, Objectives and Targets (GOTs)**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(a)</b> establish and implement a process for setting the objectives and specific targets that are required to achieve the goals established under subsection 6.3(1) and for ensuring their annual review.</p>	
	<b>Assessment</b>
Accountabilities	<p>As part of the COA between Veresen and its Operator, the Operator is responsible for conducting the quality assurance activities.</p> <p>Veresen, as the certificate holder, is accountable to ensure that there is a process in place that meets the NEB requirements for a process for setting objectives and targets as required by the OPR to base the programs on.</p>
Process	<p>Veresen demonstrated that it meets with its Operator on a regular basis to review the performance of the Operator’s programs. For example, Veresen provided the <i>Environment, Health and Safety Performance for the Northern Operating Area</i> presentation for review. This presentation included a summary of reportable incidents as well as reportable spills, vehicle accidents and serious injuries.</p> <p>The company also provided its <i>Performance Northern Operating Area 2018 September YTD Results</i> to demonstrate that the Operator had established and was monitoring scorecard metrics for Veresen’s facilities in the area of Environment, Health and Safety. The scorecard metrics were:</p> <ul style="list-style-type: none"> <li>• Total Recordable Injuries</li> <li>• Process Safety Events</li> <li>• High Potential Events</li> <li>• Serious Injuries and Average Severity</li> <li>• Motor Vehicle Incidents; and</li> <li>• Total Reportable Spills.</li> </ul> <p>Due to the lack of documented processes provided by Veresen, it is unclear whether Veresen has directed its Operator to report on NEB requirements for its federally regulated facilities as described in OPR s. 6.3(1). Based on the review of what is being reported, the Board is of the view that Veresen’s Operator is reporting “events” and “incidents” and not reporting</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**OPR s. 6.5(1)(a)** establish and implement a process for setting the objectives and specific targets that are required to achieve the goals established under subsection 6.3(1) and for ensuring their annual review.

	<b>Assessment</b>
	on overall program performance in meeting the obligations under section 6. In addition, it is unclear whether Veresen has confirmed that the criteria for reporting aligns with NEB reporting requirements.
Supporting Procedures	There were no procedures provided for review.
Integration and Application	Not applicable.

**FINDING: Non-Compliant**

**Although it is receiving reports on events occurring within the protection programs, Veresen did not provide a process that it uses for setting the objectives and specific targets that are required to achieve the goals established under subsection 6.3(1) and for ensuring their annual review as it relates to the Quality Assurance Program.**

**Based on the review of the above mentioned reporting, Veresen’s Operator is reporting “events” and “incidents” and not reporting on overall program performance in meeting the obligations under section 6. In addition, it is unclear whether Veresen has confirmed that the criteria for reporting aligns with NEB reporting requirements. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**The Board reminds Veresen that OPR s. 6.6(1) requires:**

**6.6 (1)** *A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes*

- *(a) the performance of the company’s management system in meeting its obligations under section 6 and the company’s achievement of its goals, objectives and targets during that year, as measured by the performance measures developed under s. 6.5(1)(b) and (v); and*
- *(b) the actions taken during that year to correct any deficiencies **identified by the quality assurance program** established under s. 6.5(1)(w). [emphasis added]*

**AP-03: Legal Requirements**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(g)</b> establish and implement a 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.</p>	
	<p><b>Assessment</b></p>
Accountabilities	<p>As part of a Contract Operating Agreement between Veresen and its Operator, the Operator is responsible for conducting the quality assurance activities.</p> <p>Veresen, as the certificate holder, is accountable to ensure that there is an adequate process in place that meets the NEB requirements 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.</p>
Process	<p><u>Identifying Legal Requirements</u></p> <p>During interviews, Veresen indicated that, as part of the Contractor Operating Agreement, the requirement to identify and monitor legal requirements has been delegated to the Operator. This requirement indicates that the process must include an aspect of evaluation of the requirements to determine the applicability to a company's operations. Veresen did not provide a process that would verify that either entity is confirming the applicability of requirements to the federally regulated operations and activities</p> <p><u>Monitoring Compliance</u></p> <p>Within OPR s. 6.5(1)(g), there is a requirement to identify the legal requirements that apply to the organizations activities and facilities. In addition, there is a requirement for the monitoring of compliance. Together, this requirement mandates that companies identify (know) the legal requirements that apply to them and that they also monitor (check and confirm) compliance to those requirements. Veresen confirms that inspections are conducted, but it did not demonstrate that it has developed a process (or QA program) to demonstrate that these activities are done to monitor and verify compliance to its legal requirements.</p> <p>Therefore, although Veresen and its Operator demonstrated that it is identifying legal requirements when required (such as when developing an audit protocol), it did not demonstrate that it has a process that meets the Board's expectations of a process to proactively monitor compliance to its legal requirements. The Board is of the view that this process for checking compliance, once developed and implemented, will be foundational for and integrated with the QA Program.</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(g)** establish and implement a 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.

	<b>Assessment</b>
Supporting Procedures	<p>Veresen provided several of its Operator’s procedure documents for review including:</p> <ul style="list-style-type: none"> <li>• Regulatory Compliance Standard;</li> <li>• Regulatory Compliance – Measurement &amp; Reporting of Compliance Performance Practice;</li> <li>• Regulatory Compliance – Noncompliance Identification &amp; Response Practice; and</li> <li>• Regulatory Compliance – Regulatory Requirements are Monitored, Interpreted and Communicated Practice (CDN)</li> </ul> <p>Each of these documents describes a particular aspect of addressing regulatory compliance. The Board notes; however, in each case, the document then goes on to define its scope as applying to: <i>“all Encana Canadian Division Operations in Alberta and British Columbia that are regulated primarily by the Alberta Energy Regulator (AER) and the British Columbia Oil and Gas Commission (OGC)”</i>.</p> <p>The Operator also provided <i>Tupper Pipelines Info</i> document which describes the Veresen Energy Pipelines Inc., NEB Regulated Pipelines including Tupper-Hythe (23 km); Mid-Tupper Pipeline (5.6 km); Tupper South Gas Pipeline (5.4 km); and Tupper South Pipeline Loop (5.4 km).</p> <p>Based on a review of these documents, and the fact that the majority of the documents relating to the Operator’s practices are silent regarding the incorporation of NEB requirements, it is unclear if these practices and standards incorporate the NEB requirements or how they are applied to facilities regulated by the NEB. In addition, the Operator does not maintain a list of legal requirements so the Board could not confirm that NEB requirements were integrated into its overall compliance monitoring.</p>
Integration and Application	Not applicable.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(g)** establish and implement a 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.

	<b>Assessment</b>
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**FINDING: Non-Compliant**

**Although Veresen demonstrated that its Operator has several practices in place regarding the identification of legal requirements, Veresen was unable to demonstrate that it has ensured the establishment and implementation of a process that meets the Board’s expectations of a process for identifying and monitoring compliance with all federal requirements that are applicable to the company in the matters of safety, security and protection of the environment as they apply to the six protection programs referenced in the OPR s. 55. Veresen was also unable to demonstrate that it has a process in place to have its contracted operator look after this regulatory requirement under Veresen’s oversight to ensure it is conducted in compliance with the OPR related to its QA Program. The Board requires that a CAPA Plan be developed to address this non-compliance.**



**AP-04: Legal List**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55, <b>OPR s. 6.5(1)(h)</b> establish and maintain a list of those legal requirements</p>	
	<b>Assessment</b>
Accountabilities	As part of a COA between Veresen and its Operator, the Operator is responsible for conducting the quality assurance activities.
Legal List	<p>Neither Veresen nor its Operator provided a legal list for review. The Operator indicated that it does not maintain a list of legal requirements. Instead, it develops compliance protocols as needed when the audit topic is identified for a compliance audit. The Board is of the view that this practice is not sufficient to meet the OPR requirements as it does not include a standing list of legal requirements to allow for the proactive incorporation of legal requirements into the quality assurance activities and the protection programs.</p> <p>In addition, the third party audit that Veresen had conducted of its Operator has previously identified the lack of a legal list among its findings. Veresen did not indicate whether it has committed to corrective actions to address this deficiency.</p> <p>The Board is of the view that this legal list is a foundational part of a QA Program because the OPR requires that audits and inspections be conducted to verify compliance to these requirements. The Board further notes that the legal list affects several processes within the management system as it relates to the quality assurance activities. Addressing the deficiencies related to the maintenance of the legal list, will impact related processes such as inspections, audits and document control.</p> <p>Given that maintaining compliance is a main function of a management system, the Board is of the view that the legal list is a driver in the management system that facilitates the proactive, intentional integration of legal requirements into quality assurance activities. For example, the legal list can be used to develop inspection templates and audit protocols to demonstrate that a company is conducting ongoing verification that it is operating with full knowledge and consideration of the regulatory requirements, rather than assuming compliance until random spot checks determine otherwise.</p>
Supporting Procedures	No other supporting documentation used by the company for the establishment and maintenance of a legal list were provided.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(h)** establish and maintain a list of those legal requirements

	<b>Assessment</b>
Integration and Application	Veresen has not ensured that a list of legal requirements has been developed and maintained to verify that the protection programs being applied to its facilities meet OPR requirements.

**FINDING: Non-Compliant**

**Veresen did not provide a list of legal requirements that has been developed to meet this requirement. In addition, the third party audit that Veresen had conducted of its Operator has previously identified this non-compliance. Veresen did not provide a corrective action plan to address this deficiency. The company advised the Board that the corrective action planning process is still in progress between Veresen and its Operator. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-05: Management of Change**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(i)</b> establish and implement a process for identifying and managing any change that could affect safety, security or the 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.</p>	
	<b>Assessment</b>
Accountabilities	Although there is a COA between Veresen and its Operator, the Board could find nothing in the agreement which explains how changes that could affect safety, security or the protection of the environment will be managed for Veresen's assets or the accountabilities for such a process.
Process	<p>Veresen provided the Board with a copy of the <i>Encana Ethos Management of Change Standard</i>. 'Ethos' is an Operational Management System, which incorporates Encana's Environment, Health and Safety Management System. The purpose of the standard is to "require the use of the management of change (MOC) process to manage emerging risks, new regulatory requirements or changes introduced during existing projects". According to the standard, MOC is required for:</p> <ul style="list-style-type: none"> <li>• Temporary or permanent changes to the design, construction or operation of an asset or facility;</li> <li>• Emerging changes (i.e., situations where immediate action is required to prevent serious [detrimental] safety or environmental consequences) that include not-in-kind changes;</li> <li>• The introduction of new chemicals and/or equipment;</li> <li>• Adding or removing personnel integral to the operation of an asset or facility; and</li> <li>• Introduction or modification to procedures.</li> </ul> <p>Veresen also provided the Board with a copy of the <i>Encana Ethos Management of Change (MOC) Practice</i> for review that establishes "requirements to identify and manage risks, within acceptable levels in our operations that are potentially introduced through changes in equipment, a defined work procedure, or task".</p> <p>However, Veresen did not provide the Board with a copy of its own MOC process for ensuring that it is aware of and accounting for changes that are occurring that may affect its facilities and operations. Regardless of the operating agreement between Veresen and its Operator, there is still a requirement for Veresen to have its own MOC Process and</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,

**OPR s. 6.5(1)(i)** establish and implement a process for identifying and managing any change that could affect safety, security or the 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.

	<b>Assessment</b>
	some sort of bridging process which explains how the Operator's MOC process will link to Veresen's MOC Process for changes that impact Veresen's NEB-Regulated assets.
Supporting Procedures	Veresen did not provide any internal or bridging procedures for MOC.
Integration and Application	Veresen did not provide a description of how the company has integrated or linked to its Operator's MOC process stemming from its QA activities with other elements of Veresen's management system.

**FINDING: Non-Compliant**

**While the documents provided by Veresen do demonstrate that Veresen's contracted Operator has an MOC process in place, the documents do not demonstrate that Veresen has a process through which it manages changes in a manner that complies with the requirements of the OPR s. 6.5(1)(i) or that it has integrated an MOC process with any of the protection programs. The documents provided by Veresen do not explain the process that the company uses to manage changes on Veresen's NEB-Regulated assets or how it interacts with its contracted Operator when changes on Veresen's assets are deemed necessary. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-06: Internal & External Communication**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(m)</b> establish and implement a process for the internal and external communication of information relating to safety, security and protection of the environment.</p>	
	<b>Assessment</b>
Accountabilities	<p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including communication.</p> <p>In addition, the Board reviewed the aspects of the communication of information relating to quality assurance activities and safety, security and protection of the environment that occur as a result of quality assurance activities.</p>
Process	<p>Veresen indicated that it communicates with its Operator during regularly scheduled meetings. For example, the standing agenda for integrity meetings includes:</p> <ul style="list-style-type: none"> <li>• Quarterly Key Performance Indicators</li> <li>• Sand Management – changes to program or discuss any failures</li> <li>• Formal Regulatory Program Changes/Updates (i.e. boiler supervision)</li> <li>• Audits – Internal/External planned audits and sharing of results</li> <li>• Operational issues (i.e. Turnaround Planning, pipeline failures)</li> <li>• New Business.</li> </ul> <p>Veresen indicated communication with external stakeholders are managed by its Operator’s External Communications group and External Affairs group. In addition, Veresen stated that it relies on its Operator’s web-based <i>Sustainability Report</i> and its <i>Landowners Guide to Pipelines</i>. Veresen also maintains a website describing its operations and facilities.</p> <p>Veresen did not provide a process for the internal and external communication of information relating to safety, security and protection of the environment in relation to the QA Program which would outline what information resulting from inspections and audits (such as non-compliances ) are communicated, to whom, when and how was that communication documented and tracked.</p>
Supporting Procedures	No additional supporting procedures were provided by Veresen.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(m)** establish and implement a process for the internal and external communication of information relating to safety, security and protection of the environment.

	<b>Assessment</b>
Integration and Application	Veresen did not demonstrate how the company has integrated internal and external communication procedures stemming from its QA activities with other elements of the management system.

**FINDING: Non-Compliant**

**Veresen’s Operator provided standards and practices for the internal and external communication of information relating to safety, security and protection of the environment. However, the documents provided do not demonstrate that Veresen has a documented process in place to manage and control internal and external communications on these matters. Also, in reviewing the COA between Veresen and its Operator, the Board found limited information regarding the types of external information Veresen directed its Operator to communicate to stakeholders or when. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-07: Identifying Required Documents**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(n)</b> establish and implement a process for identifying the documents required for the company to meet its obligations under section 6.</p>	
	<b>Assessment</b>
Accountabilities	As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including document identification and development.
Process	<p>Neither Veresen nor its Operator provided a separate process to describe identification of documents required for the Management System and the quality assurance activities. As such, Veresen did not demonstrate that it has established and implemented a documented process for the identification of the documents (procedures, templates, etc.) it requires within each of its protection programs areas to ensure that the programs and the related QA activities are equally documented and consistently managed.</p> <p>The Board notes, however that the Operator’s documentation provided for review appeared to be subject to a naming convention and a document hierarchy. Veresen did not provide a written explanation of this hierarchy and therefore the Board could not confirm that Veresen or its Operator was purposely developing documentation for its quality assurance program or that it had determined which documents should be developed and what they should accomplish pursuant to OPR s. 6.5(1)(n).</p> <p>Due to the fact that the existing hierarchy appears to include the classification of documents by type and function, it will likely contribute to the establishment and implementation of the process required by OPR s. 6.5(1)(n).</p>
Supporting Procedures	No supporting procedures were provided for this requirement.
Integration and Application	No supporting procedures were provided to demonstrate how Veresen ensured that the protection programs were equally documented.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**OPR s. 6.5(1)(n)** establish and implement a process for identifying the documents required for the company to meet its obligations under section 6.

	<b>Assessment</b>
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**FINDING: Non-Compliant**

**Veresen was unable to demonstrate that it has established and implemented a process for identifying the documents that are required to meet its obligations under the OPR s. 6. It also was unable to demonstrate that it has a process to verify that its operator's documents meet this requirements either. The Board requires that a CAPA Plan be developed to address this non-compliance.**



**AP-08: Document Control**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,  <b>OPR s. 6.5(1)(o)</b> establish and implement a process for preparing, reviewing, revising and controlling those documents.</p>	
	<p><b>Assessment</b></p>
<p>Accountabilities</p>	<p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including document control.</p> <p>Veresen provided its Operator’s <i>Document and Record Management Standard</i>, which states that “<i>Roles, responsibilities, and accountabilities related to document and record management shall be defined and assigned in the practice(s)</i>”. The Board also reviewed the Operator’s <i>Document and Records Management Practice</i> and found that it provides roles and responsibilities for document and records management for the Operator.</p> <p>Although Veresen appears to be relying heavily on its Operator’s document control processes, there is still a requirement for Veresen to have its own document control process to prepare, review, revise and control its own documents, including the accountabilities for the process.</p>
<p>Process</p>	<p>Veresen provided a copy of its Operator’s <i>Document and Record Management Standard</i> for review, the purpose of which is to “<i>ensure EH&amp;S documents and records are identified, stored, protected, assessed and retained</i>”. In accordance with the guidance in the standard, the Operator’s EH&amp;S and Regulatory Affairs must develop, implement, communicate, evaluate, maintain and improve practice(s) to manage EH&amp;S documents and records. The practice must:</p> <ul style="list-style-type: none"> <li>• align with other applicable policies, standards and practices;</li> <li>• establish a process for control, storage, distribution, retention and disposal of documents and records;</li> <li>• establish a process for developing, reviewing, receiving approval and implementing documents;</li> <li>• establish a policy to identify records requiring privacy protection and store those records in a secure repository;</li> <li>• identify records to demonstrate implementation of the practice and conformance to this standard; and</li> <li>• identify EH&amp;S training (if necessary) related to the practice.</li> </ul> <p>According to the Operator’s <i>Document and Records Management Practice</i>, it applies to all its management system – controlled documents.</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(o)** establish and implement a process for preparing, reviewing, revising and controlling those documents.

	<b>Assessment</b>
	<p>The Operator's Standard and Practice document did not include accountabilities for Veresen. In addition, Veresen did not provide a process for ensuring that its Operator's <i>Document and Record Management Standard</i> considered and addressed the NEB regulatory requirements related to document management.</p> <p>Veresen did not provide the Board with its own document control process.</p>
Supporting Procedures	No supporting procedures or internal Veresen procedures were provided.
Integration and Application	Based on a review of the documentation provided, the document control standard has not been applied to the various quality assurance activities and protection programs.

**FINDING: Non-Compliant**

**Although Veresen was able to demonstrate that its Operator has a document and record control standard and practice that applies to quality assurance activities, Veresen was unable to demonstrate that it has its own document control process for preparing, reviewing, revising and controlling its own quality assurance documentation. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-09: Records Management**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(p)</b> establish and implement a process for generating, retaining and maintaining records that document the implementation of the management system and the programs referred to in section 55 and for providing access to those who require it in the course of their duties.</p>	
	<p><b>Assessment</b></p>
Accountabilities	<p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including managing the records generated by quality assurance activities.</p> <p>Despite any agreement in place, the Board holds Veresen, as the Certificate Holder, accountable for ensuring that the OPR requirements are being met in relation the records of quality assurance activities.</p>
Process	<p>Veresen provided its Operator's <i>Document and Record Management Standard</i> for review. In accordance with the guidance in the standard, the Operator's EH&amp;S and Regulatory Affairs are required to develop, implement, communicate, evaluate, maintain and improve practice(s) to manage EH&amp;S documents and records.</p> <p>This document does not include mention of how this standard will ensure compliance to the NEB requirements related to the generating, retaining and maintaining of records that document the implementation of the management system and the programs.</p> <p>Upon review of the Operator's <i>Document and Records Management Practice</i> the Board notes that this practice includes a section for "<i>Records that demonstrate conformance</i>" (p.5) and does not mention records that generated, retained and maintained to document the implementation of the management system and the programs referred to in section 55 of the OPR and for providing access to those who require it in the course of their duties.</p>
Supporting Procedures	<p>No additional procedures were provided.</p>
Integration and Application	<p>Veresen and its Operator provided several inspection records and templates for review. The standard and practice documents provided for review did not describe how the records generated by the quality assurance activities in each of the s. 55 programs were being managed.</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(p)** establish and implement a process for generating, retaining and maintaining records that document the implementation of the management system and the programs referred to in section 55 and for providing access to those who require it in the course of their duties.

	<b>Assessment</b>
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**FINDING: Non-Compliant**

**Although Veresen was able to demonstrate that its Operator has a document and record control standard and practice, these practices are internal to the Operator and do not apply to Veresen. Veresen did not demonstrate that it has ensured that there is an established and implemented process for generating, retaining and maintaining the records that document the implementation of its QA Program across its section 55 programs. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-10: Inspect and Monitor**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(u)</b> establish and implement a process for inspecting and monitoring the company’s activities and facilities to evaluate the adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified.</p>	
	<p><b>Assessment</b></p>
Accountabilities	<p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including inspections.</p> <p><u>Role of Field Staff</u></p> <p>Of note for inspections, the Board found that the documentation does not include the defined roles for field level employees within the inspection documents provided. The Board is of the view that the consistent implementation of this process is dependent on field staff understanding their roles. Also, the assessment of this process depends on the level of effectiveness and consistency demonstrated during the execution and follow-up. The Board notes that there is no role or accountabilities outlined for the frontline supervisors and field staff. This gap should be addressed during the Corrective and Preventive Action Plan.</p>
Process	<p><u>Inspection Process</u></p> <p>During the audit, the Operator described the various inspection activities it carries out on all of its assets, including the facilities that it operates by contract with Veresen. These include:</p> <ul style="list-style-type: none"> <li>• service provider inspections;</li> <li>• pipeline inspections;</li> <li>• environmental inspections; and</li> <li>• facility inspections.</li> </ul> <p>In addition, Veresen provided documentation including the <i>Aerial Visual Inspection Report of the NEB Area</i> which was carried out by a third party contractor. The company that carried out the Aerial Inspection inspected the Veresen-owned lines for:</p>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, **OPR s. 6.5(1)(u)** establish and implement a process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified.

	<b>Assessment</b>
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	<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> Party Activity;</li> <li>• Location Free of Liquids;</li> <li>• Geotechnical Issues;</li> <li>• Signage Inspection;</li> <li>• Watercourse Crossing;</li> <li>• Overhead Power Lines;</li> <li>• Road Crossing;</li> <li>• Environmental Issues;</li> <li>• Mechanical and Operating Integrity; and</li> <li>• Aerial Gas Leak Detection.</li> </ul> <p>Following the review of the documents provided and interviews conducted, the Board concluded that there are inspections such as environmental and right-of-way inspections occurring, however these inspections were not being conducted in accordance with a documented process that meets the expectations of the Board, nor were they being scheduled in accordance with a QA Program or oversight strategy under Veresen's control.</p> <p>To demonstrate ongoing communication of the status of findings from quality assurance activities, Veresen provided copies of meeting minutes between Veresen Midstream and its Operator to conduct an Operations Review. At this meeting the two companies shared information relating to:</p> <ul style="list-style-type: none"> <li>• incidents and accidents;</li> <li>• Non-compliances;</li> <li>• Audits;</li> <li>• Integrity issues;</li> <li>• Field operations; and</li> </ul>
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<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(u)</b> establish and implement a process for inspecting and monitoring the company’s activities and facilities to evaluate the adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified.</p>	
	<p><b>Assessment</b></p>
	<ul style="list-style-type: none"> <li>• Maintenance and other issues.</li> </ul> <p><u>Monitoring Process</u></p> <p>In addition to inspecting, OPR section 6.5(1)(u) requires that companies have a process to monitor their activities and facilities to evaluate the performance of their programs over time. Together, this requirement mandates that companies inspect (check) and monitor (track). Typically, monitoring requirements for the protection programs can be the result of legal requirements or conditions imposed such as noise, migratory birds etc. In this case, Veresen did not provide its process for selecting and managing the issues it is monitoring over time.</p> <p><u>Corrective Actions vs Preventive Actions</u></p> <p>The Board noted that throughout this process document, Veresen does not differentiate between what it considers a “corrective action” versus a “preventive action” when, in reality, these actions can be different and developed and executed independently. For an action to be corrective, it must be designed to correct the deficiency or non-compliance. This remediation could be immediate depending on the severity of the issue. A preventive action is designed to prevent recurrence of the deficiency and typically includes a solution that is implemented at the management system process level. Veresen must address this gap in its CAPA Plan for this audit.</p>
Supporting Procedures	No additional supporting procedures were provided.
Integration and Application	Veresen did not demonstrate how an inspection and monitoring process is applied to each s. 55 program including how the company is undertaking compliance inspections and how the company has integrated or linked its inspection and monitoring process with other applicable management system processes.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,

**OPR s. 6.5(1)(u)** establish and implement a process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified.

**Assessment**

**FINDING: Non-Compliant**

**Veresen was able to demonstrate that it attends meetings with its Operator to discuss a variety of identified operations and maintenance issues including regulatory compliance issues. However, Veresen was unable to demonstrate how it monitors the programs for compliance, adequacy and effectiveness.**

**In addition, the Board also noted several issues with the process as demonstrated. Veresen must ensure that the following deficiencies are addressed in its CAPA Plan:**

- **no demonstration that there is a process for conducting inspections to confirm compliance with the legal requirements within each of the s. 55 programs;**
- **no process which included how it determines what issues it monitors over time (ROW health, noise, etc.), and how it captures and tracks these issues;**
- **no distinction between corrective and preventive actions to ensure that non-compliances are addressed in present and to prevent recurrence;**
- **roles for its field staff and frontline supervisors related to conducting inspections were not included in the documentation.**

**The Board requires that a CAPA Plan be developed to address this non-compliance.**



**AP-11: Adequacy & Effectiveness of the Management System**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(v)</b> establish and implement a 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 under section 6.</p>	
	<b>Assessment</b>
Accountabilities	As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including audits and inspections.
Process	<p>Within the <i>VMLP Assurance Plan for Contract Operated Assets</i>, Veresen includes the following assumptions:</p> <ul style="list-style-type: none"> <li>• its Operator’s current management systems meets or exceed regulatory requirements and are consistent with good industry practice;</li> <li>• VMLP has reviewed and approved Encana’s current management systems.</li> </ul> <p>Given that there is no list of legal requirements, it is unlikely that Veresen can declare with certainty its Operator’s management system and corresponding procedures meet or exceed the regulatory requirements, because it cannot demonstrate that it is aware of the legal requirements that are applicable to its operations.</p> <p>Veresen has hired a third party auditors to conduct an audit of its Operator’s Management system. Although the practices of conducting independent, third party reviews is encouraged Veresen did not provide a process for addressing any deficiencies. According to the 2017-2019 Plan, Veresen tracks lessons learned within a “look back process”. It was not provided at the time of the audit.</p> <p>Veresen provided its “Management Systems Evaluation Audit Protocol (Engineering)” for review. The protocols include sections titled:</p> <ul style="list-style-type: none"> <li>• Documentation;</li> <li>• Competency and training;</li> <li>• Design Control;</li> <li>• Construction; and</li> <li>• Management of Change</li> </ul>

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**OPR s. 6.5(1)(v)** establish and implement a 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 under section 6.

	<b>Assessment</b>
	As there was no procedure provided to describe what type of Management System audit this was intended to result in, it is unclear how the protocol sections and questions were developed. Given that the regulatory requirements were not included in the protocol, an audit applying this protocol would not result in an evaluation of the adequacy and effectiveness or compliance of the company’s management system as required by the OPR.
Supporting Procedures	No supporting procedures were provided.
Integration and Application	Not applicable to the assessment of this element

**FINDING: Non-Compliant**

**Veresen was unable to demonstrate to the Board that it has a documented process for evaluating the adequacy and effectiveness of its own management system or that of its contracted Operator. The Board could find no mention in the COA of the Owner’s requirements of the Operator to keep the necessary records and provide the necessary information to assure the Owner was meeting its obligations under section 6 of the OPR. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-12: Annual Management Review**

<p><b>OPR s. 6.5(1)</b> A company shall, as part of its management system and the programs referred to in section 55,</p> <p><b>OPR s. 6.5(1)(x)</b> establish and implement a process for conducting an annual management review of the management system and each program referred to section 55 and for ensuring continual improvement in meeting the company's obligations under section 6.</p>	
	<b>Assessment</b>
Accountabilities	For this protocol item, the Board asked Veresen to provide evidence that it has established and implemented a process for conducting an annual management review of the management system and each program referred to section 55 and for ensuring continual improvement in meeting the company's obligations under section 6. In response to the Board's Information Request, the Company provided the document discussed below.
Process	<p>Veresen provided the Board with a copy of the <i>Encana Ethos Verification Practice</i>, the purpose of which is to “<i>outline various levels of verifications and self-assessments in the Canadian Division performed to conform to the requirements of the Ethos Verification and Standard. This includes programs and systems for conformance to Encana EHS Policies and standards as well as compliance with applicable government and regulatory commitments</i>”.</p> <p>Although Veresen has established some oversight activities in its <i>VMLP Assurance Plan for Contract Operated Assets</i>, this plan does not outline the process for conducting its annual management review which would include the review of any non-compliances identified during QA activities including third party audits. Veresen demonstrated that it has implemented aspects of the required oversight expected by the Board in that it had reviewed and monitored operational activities including performance goals, third party audits at quarterly and annual meetings. However, Veresen did not demonstrate that it is actively and formally ensuring that the QA Program developed and implemented by the Operator is suitable and effective in meeting its regulatory obligations.</p>
Supporting Procedures	Veresen did not provide any additional supporting procedures.
Integration and Application	Veresen did not demonstrate how the company has integrated or linked a process for conducting an annual management review of the QA Program with other applicable management system processes.

**OPR s. 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,

**OPR s. 6.5(1)(x)** establish and implement a process for conducting an annual management review of the management system and each program referred to section 55 and for ensuring continual improvement in meeting the company's obligations under section 6.

**Assessment**

**FINDING: Non-Compliant**

**Veresen was unable to demonstrate that it has its own documented process for conducting (or participating) in an annual management review or for ensuring continual improvement in meeting the company's obligations under section 6 of the OPR. The Board requires that a CAPA Plan be developed to address this non-compliance.**

**AP-13: Compliance Audits & Inspections**

**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

**(2)** The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
Accountabilities	<p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including audits and inspections.</p> <p>In addition, Veresen has developed a <i>VMLP Assurance Plan for Contract Operated Assets</i> to outline its oversight activities.</p>
Audits & Inspections	<p>The Operator demonstrated that it conducts some inspections and audits of its activities and facilities, some of which are conducted to verify compliance to regulatory requirements. However, during interviews and documentation review, it appeared to the Board that some QA activities are designed to verify that the Operator's employees are following its own procedures and not to verify compliance to legal requirements. While this type of check is considered part of a QA program, relying almost exclusively on conformance does not confirm that a company is operating in compliance with the regulations.</p>

**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

(2) The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
	<p>Throughout the audit, the Board noted that the Operator put very little emphasis on proactively confirming compliance to the Regulations or confirming the adequacy and effectiveness of the programs as required by the OPR. Instead, its audits focus on evaluating conformance to company procedures.</p> <p>The Operator outlined its suite of evaluation activities for its entire system, including the Veresen assets which include:</p> <ul style="list-style-type: none"> <li>- audits of internal standards and practices;</li> <li>- compliance audits;</li> <li>- service provider audits;</li> <li>- service provider inspections;</li> <li>- pipeline inspections;</li> <li>- facility inspections;</li> <li>- environmental, site inspection;</li> <li>- spot checks to review basic safety systems; and</li> <li>- active monitoring by site supervisors.</li> </ul>

**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

(2) The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
	<p>The Operator's audit process diagram was provided for review. It outlines the steps taken to develop the annual audit plan. In addition, the Operator provided its "<i>Active Pipeline Inspection</i>" template. The Board noted that aside from verifying the presence of permits related to disposal of water, this checklist does not incorporate any regulatory requirements or assessments of site compliance, instead it focuses primarily on the conditions observed at the site.</p> <p>As part of its oversight plan, Veresen provided several third party audits that it has commissioned to review the Integrity Program, the Environment Program and the Management System respectively. These audits included assessment of compliance to select regulatory requirements, but not to the entire OPR. Also, the audits did not include any assessment of the adequacy and effectiveness of Programs or the Management Systems in meeting the requirements of the OPR.</p> <p>To demonstrate follow-up on audits, Veresen provided:</p> <ul style="list-style-type: none"> <li>• the <i>Non-Op IMP Audit Action Plan</i>, which details the corrective action plan to deal with the findings from the integrity audit; and</li> <li>• <i>Corrective Action Plan, NOA – Pipestone EH&amp;S Compliance Audit (Pipelines)</i> showing that it had signed off a corrective action that had been completed.</li> </ul>

**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

(2) The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
	<p>Veresen provided the <i>Veresen Non-Operated Asset Sites Hazard and Opportunities for Improvement and Collaboration</i> report. The report “<i>summarizes findings that have been either noted by Veresen personnel while visiting sites as part of inspections associated with regulators and site incident follow up, or information provided by Encana personnel at routine field level meetings. Findings described in this report have potential to and or have already impacted personnel, environment and facilities. Findings for this report have been documented since Q3 of 2014</i>”.</p> <p>In this report, Veresen stated that the activities of its federally regulated pipelines are routine operational only so there would not be any inspections conducted other than annual ROW inspections. These inspections are conducted via aircraft and include gas leak detection. Veresen stated that visual monitoring would include all items identified in CSA Z662.</p> <p>According to Veresen, if there were any non-routine operational or other activities associated with the NEB regulated pipelines, other inspections forms could become pertinent such as:</p> <ul style="list-style-type: none"> <li>• The Service Provider EHS Inspection form;</li> <li>• Environmental Site Inspection form;</li> </ul>



**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

(2) The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
	<ul style="list-style-type: none"> <li>• Tank Truck Inspection form; and</li> <li>• The Active Pipeline Inspection form (all were attached to the company's response).</li> </ul> <p>Veresen stated that its Operator determines which QA activities are scheduled through the annual Audit Plan Development. This process is outlined in the <i>Verification and Audit Practice</i> and is demonstrated through the annual audit plan. To determine the scope of an individual MS audit, a Practice Selection Meeting is held with EH&amp;S and Operating area (Auditee) leadership in advance of the audit, in order to select the highest risk practices to include in the scope.</p>
Supporting Procedures	Veresen did not provide any supporting procedures associated with this requirement.
Integration and Application	<p>Veresen did not demonstrate to the Board how the company has integrated or linked its OPR s. 53 general compliance audits and inspections with OPR management system requirements, such as:</p> <ul style="list-style-type: none"> <li>• 6.5(1)(g) Monitoring legal requirements;</li> <li>• 6.5(1)(u) Inspecting and Monitoring;</li> </ul>

**OPR s. 53(1):** A company shall conduct inspections on a regular basis and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated, and abandoned in compliance with

- (a) Part III of the Act;
- (b) Part V of the Act, as it related to the protection of property and the environment and the safety and security of the public and of the company's employees; and
- (c) these Regulations; and
- (d) the terms and conditions of any certificate or order issued by the Board, as they relate to the protection of property and the environment and the safety of the public and of the company's employees.

(2) The audit shall document

- (a) all non-compliance noted; and
- (b) any corrective action taken or planned to be taken.

	Assessment
	<ul style="list-style-type: none"> <li>• 6.5(1)(w) Quality Assurance Program.</li> </ul>

**FINDING: Non-Compliant**

**Although audits and inspections are being carried out, Veresen did not demonstrate that it conducts (or directs its Operator to conduct) inspections to verify compliance and audits, with a maximum interval of three years, to ensure that its pipeline is designed, constructed, operated and abandoned in compliance with the requirements of the OPR s. 53. In addition, Veresen did not demonstrate that it has a documented process to ensure that inspections and audits are being conducted in order to verify the effectiveness and adequacy of the Programs and their compliance to all of its legal requirements.**

**As discussed in AP-01 of this report, Veresen has not developed a documented QA Program that ensures that its pipeline is being operated in compliance with the regulations. The Board requires that a CAPA Plan be developed to address this non-compliance. The CAPA required for AP-01 of this report should incorporate the section 53 and section 55 requirements.**

**AP-14: Program Audits**

<p><b>OPR s. 55(1):</b> A company shall conduct audits, with a maximum interval of three years, of the following programs a) the emergency management program referred to in section 32; b) the integrity management program referred to in section 40, including the pipeline control system referred to in section 37; c) the safety management program referred to in section 47; d) the security management program referred to in section 47.1; e) the environmental protection program referred to in section 48; and f) the damage prevention program referred to in section 47.2.</p> <p>2) The documents prepared following the audit shall include (a) any deficiencies noted; and (b) any corrective action taken or planned to be taken.</p>	
	<p><b>Assessment</b></p>
Accountabilities	<p>For this protocol item, the Board asked Veresen to provide evidence that it is conducting program audits in accordance with the requirements of the OPR s. 55(1). In response to the Board’s Information Request, the Company provided the document discussed below.</p> <p>As part of a COA between Veresen and its Operator, the Operator is implementing and maintaining all aspects of the quality assurance program, including audits of the protection programs.</p>
Process	<p>Veresen has developed a <i>VMLP Assurance Plan for Contract Operated Assets</i> (the Plan) to outline its oversight activities including audits. The Plan includes a risk assessment matrix used to determine the audit topics. To execute this plan, Veresen contracted third party auditors to conduct audits of aspects of its Operator’s programs.</p> <p>In addition, Veresen demonstrated regular meetings with its Operator to discuss audits and inspections of the Tupper pipelines that are operated and maintained by the Operator and regulated by the NEB.</p> <p>The Board has reviewed Veresen’s Management System Evaluation Audit Protocol. According to the Plan, this <i>“audit protocol is designed to evaluate systems both at the corporate and worksite level” ... “to provide recommendations for continuous improvement”</i>. <i>This protocol is intended to:</i></p> <ol style="list-style-type: none"> <li>1) <i>assess the standards and requirements established</i></li> <li>2) <i>evaluate the program activities implemented and,</i></li> <li>3) <i>provide a framework for worksite compliance audits.</i> (p. 24)</li> </ol> <p>Upon review of the questions, the Board notes that although these audits demonstrate Veresen’s intention to oversee the ongoing suitability of its Operator’s management system, these audit protocols do not include or require an assessment of the Operator’s compliance with specific regulatory requirements or an assessment of the</p>

**OPR s. 55(1):** A company shall conduct audits, with a maximum interval of three years, of the following programs a) the emergency management program referred to in section 32; b) the integrity management program referred to in section 40, including the pipeline control system referred to in section 37; c) the safety management program referred to in section 47; d) the security management program referred to in section 47.1; e) the environmental protection program referred to in section 48; and f) the damage prevention program referred to in section 47.2.

2) The documents prepared following the audit shall include (a) any deficiencies noted; and (b) any corrective action taken or planned to be taken.

**Assessment**

adequacy or effectiveness of the programs and management system. Therefore, these protocols would not result in a review that meets requirements.

In addition to being incomplete, the audits do not confirm that the Operator’s programs were able to “anticipate, prevent, manage and mitigate” the hazards and outcomes as per the OPR requirements. Instead, the program audit focused on the conformance and implementation of the Operator’s program and procedures and did not include an assessment of the compliance to the regulatory requirements. As a result, the audits did not include a determination of whether the programs were meeting all of the technical regulatory requirements of the OPR and that there were suitable controls implemented.

Veresen also relies on its Operator’s program audits. Based on interviews and document reviews, the Operator conducts regularly scheduled conformance audits of its protection programs Veresen stated that:

- The Operator’s audit protocol development process is outlined in its *Verification and Audit Ethos Practice*;
- Protocols are developed for each audit based on the practices selected. Due to the fact that practices change, the Operator’s internal auditors review and update the audit protocols as needed.
- Veresen company staff have not attended an Ethos or compliance audit.

Veresen provided its Operator’s audit plans for the upcoming years. These plans are provided to Veresen and approved by the Operator’s Board of Directors

According to the 2017-2019 Plan, Veresen tracks lessons learned within a “look back process”. It was not provided at the time of the audit.

**OPR s. 55(1):** A company shall conduct audits, with a maximum interval of three years, of the following programs a) the emergency management program referred to in section 32; b) the integrity management program referred to in section 40, including the pipeline control system referred to in section 37; c) the safety management program referred to in section 47; d) the security management program referred to in section 47.1; e) the environmental protection program referred to in section 48; and f) the damage prevention program referred to in section 47.2.

2) The documents prepared following the audit shall include (a) any deficiencies noted; and (b) any corrective action taken or planned to be taken.

	<b>Assessment</b>
Supporting Procedures	Veresen did not provide any supporting procedures to describe how it schedules or prioritizes the Program Audits or how it ensures that these audits conducted by its Operator meet the requirements of the OPR.
Integration and Application	<p>Veresen was unable to demonstrate how the company has formally integrated or linked its activities under s. 55 with management system requirements, such as:</p> <ul style="list-style-type: none"> <li>• OPR s. 6.5(1)(u) Inspecting and Monitoring;</li> <li>• OPR s. 6.5(1)(w) Quality Assurance Program;</li> <li>• OPR s. 6.5(1)(x) Annual Management Review;</li> <li>• OPR s. 6.6(1)(b) Corrective Actions Taken.</li> </ul>

**FINDING: Non-Compliant**

**Veresen was unable to demonstrate that it conducts program audits in accordance with section 55 every three years or that it has a process in place to assess the compliance, adequacy or effectiveness of its Operator’s section 55 programs.**

**As discussed in AP-01 of this report, Veresen has not developed a documented QA Program that ensures that its pipeline is being operated in compliance with the regulations. The Board requires that a CAPA Plan be developed to address this non-compliance. The CAPA required for AP-01 of this report should incorporate the section 53 and section 55 requirements.**

## Appendix II - Abbreviations

The following abbreviations were used in this report:

AER: Alberta Energy Regulator

AO: Accountable officer

CAPA: Corrective and Preventative Action Plan

COA: Contract Operating Agreement

CSA: Canadian Standards Association

EHS: Environment, health and safety

IR: Information Request

MOC: Management of change

MS: Management System

NEB: National Energy Board

OGC: British Columbia Oil and Gas Commission

OPR: *National Energy Board Onshore Pipeline Regulations*

QA: Quality Assurance

ROW: Right of Way

VMLP: Veresen Midstream Limited Partnership