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2017 JUL 14 P 3:10

July 14, 2017

NEB File OF-Surv-Op-Aud-K077-2016-2017-01

Hand Delivery

National Energy Board
Suite 210, 517 Tenth Avenue SW
Calgary, AB T2R 0A8

Attention: Ms. Sheri Young, Secretary of the Board

Dear Ms. Young:

**RE: Kinder Morgan Cochin ULC
National Energy Board Final Audit Report - Kinder Morgan Cochin ULC Pipeline Patrol Activities
Kinder Morgan Corrective Action Plan**

On June 19, 2017, the National Energy Board ("Board") issued to Kinder Morgan Cochin ULC ("Kinder Morgan") the Final Audit Report – Pipeline Patrol Activities. The Board directed that Kinder Morgan file a corrective action plan for Board approval within 30 days of the issuance of the Final Audit Report.

As directed by the Board, Kinder Morgan submits the enclosed Corrective Action Plan ("CAP") addressing the findings made in the Board's Final Audit Report to describe how Kinder Morgan intends to resolve the non-compliances identified in the Final Audit Report and the timelines for completion of the corrective actions.

Kinder Morgan looks forward to continued dialogue with the Board with respect to this CAP. Should the Board have any questions, or require additional information, please contact [REDACTED] at [REDACTED].

Yours truly,

Wayne Simmons

Chief Operating Officer, Products Pipelines

KINDER MORGAN COCHIN ULC

Kinder Morgan Cochin ULC (KM-Cochin) Corrective Action Plan

NEB Pipeline Patrol Audit

Item	Reference	NEB Finding of Non-compliance	KM - CA#	Corrective Actions	Implementation	Target Completion Date	Actual Completion Date
Appendix I – Pipeline Patrol Audit – Evaluation of Sub-Element 4.1							
1	Section 2.1 Monitoring of adjacent lands	General Finding: At the time of the audit, KM-Cochin did not provide a procedure for monitoring lands adjacent to its ROW and had not updated its procedures to reflect this DPR requirement. NEB's Conclusion: The Board has determined that KM-Cochin is in non-compliance with DPR-O s.16 (b).	I-2.1.1	KM-Cochin has modified its L-O&M 215, Patrolling and Leak Detection procedure to incorporate instructions to monitor changes in the use of lands adjacent to its ROW.	Proposed changes have been reviewed, approved and implemented.		7/14/2017
2	Section 2.2 Observing conditions and activities	General Finding: During the review of the report of aerial patrols, the Board found that KM-Cochin reports by exception only, that is, observations are only made when an activity or an issue is present. NEB Conclusion: Due to the fact that aerial patrols report by exception, that is, only note when an issue is present, KM-Cochin could not demonstrate that it is documenting its assessment of all the issues as noted in CSA Z662-15 clause 10.6.1.	I-2.2.1	KM-Cochin has modified the format of its existing aerial patrol database report to show that all regulatory required items are being assessed during the patrol as well as continuing to include the actual field observations.	Proposed changes have been reviewed, approved and implemented.		7/14/2017
			I-2.2.2	KM-Cochin has submitted changes to its ground patrol form "L-OM 215 Right of Way Inspection" to demonstrate that all required items are being assessed.	Proposed changes are in the process of being reviewed, approved and implemented.	8/31/2017	
			I-2.2.3	KM-Cochin has trained contract aerial patrol pilots on the revised reports.	Proposed changes have been reviewed, approved and implemented.		7/14/2017

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3	Section 2.3 Frequency of inspections (CSA clause 10.6.1.2)	General Finding: KM-Cochin could not demonstrate that the factors listed in CSA clause 10.6.1.2 were considered or evaluated when determining the patrol frequency or method. NEB Conclusion: KM-Cochin could not demonstrate that it is considering the factors outlined in CSA Z662-15, Clause 10.6.1.2 when determining the frequency of its patrols.	I-2.3.1	KM-Cochin has modified its L-O&M 215, Patrolling and Leak Detection procedure to include a risk evaluation process that considers all items in CSA clause 10.6.1.2 in order to demonstrate that these factors will be considered in the establishment of patrol frequencies.	Proposed changes will be reviewed, approved and implemented.	8/31/2017	
			I-2.3.2	KM-Cochin will train applicable staff on the revised process.	Proposed changes will be reviewed, approved and implemented.	8/31/2017	
4	Section 3.1 Notification of locations regarding low risk agricultural activity (DPR-O s.7)	General Findings: KM-Cochin does not have a process in place to ensure monitoring depth of cover activities are taking place as required by the DPR-O. NEB Conclusion: For the purposes of this audit, KM-Cochin did not demonstrate that it has established a procedure to identify areas of their rights-of-way where low-risk agricultural crossings may jeopardize the safe and secure operation of the pipelines as required by DPR-O s.7.	I-3.1.1	KM-Cochin is developing a procedure to address the monitoring of depth of cover activities as required by the DRP-O s.7.	Proposed changes will be reviewed, approved and implemented.	12/31/2017	
			I-3.1.2	KM-Cochin will train its staff regarding this new KM procedure.	Proposed changes will be reviewed, approved and implemented.	12/31/2017	

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5	Section 3.2 Reporting unauthorized activities (DPR-O s.11)	General Findings: KM-Cochin's procedures do not contain the reporting requirements under the NEB Pipeline Crossing Regulations and had not been updated to reflect the obligations to report to the Board under DPR-O s.11. NEB Conclusion: The audit found that KM-Cochin's procedures have not been updated to reflect the changes in the DPR regarding the obligation to report to the Board.	I-3.2.1 I-3.2.2	KM-Cochin has revised procedure L-O&M 219-DOT/NEB/TSB and State/Provincial Pipeline Reports to conform with the requirements of DPR-O s.11; KM-Cochin will train its staff regarding this revision to the KM procedure.	Proposed changes have been reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented.		7/14/2017 7/14/2017
Appendix II – Interaction with Other Management System Sub-Elements							
6	Section 1.2 Policy and Commitment Statements	General Findings: 1.) At the time of the audit, KM-Cochin provided its Code of Business Conduct and Ethics, which includes, " <i>Ethics hotline which is hosted by a third party to maintain confidentiality and anonymity when requested. There will be no action taken against anyone who is good faith reports an ethics or compliance concern.</i> " Good Faith reporting was not defined.	II-1.2.1	a.) In February 2017, our OMS Support statement was modified to include a reporting of hazards, potential hazards, incidents and near-misses and included an immunity statement. b.) In May 23, 2017, Kinder Morgan issued a revised and consolidated Code of Conduct for our Canadian Operations which includes a definition of "Good Faith".	a.) Completed: 2/2/2017 b.) Completed: 5/23/2017.		a.) 2/2/2017 b.) 5/23/2017

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		<p>2.) KM-Cochin has not provided a policy for the internal reporting of hazards, potential hazards, incidents and near-misses that includes the conditions under which a person who makes a report will be granted immunity from disciplinary action.</p> <p>3.) KM-Cochin provided its Operations Management System (OMS) document. Upon review, it is unclear whether this OMS is implemented as it was not on KM letter head, or signed by the Accountable officer.</p> <p>4.) For the purposes of this audit of patrol activities, KM-Cochin has not provided a policy signed by the AO that provides line of sight from the policy to the protection programs.</p> <p>NEB Conclusion: The audit determined that KM-Cochin did not provide a policy to address the above expectations as they relate to inspection and monitoring. As KM-Cochin failed to provide a policy that meets the requirements of the OPR, and based on the review conducted and considering the scope of this audit, the Board finds KM-Cochin in non-compliance with NEB OPR s. 6.3.</p>	II-1.2.2	See corrective action item for Item II-1.2.1.	Completed as noted in "Corrective Actions" for Item II-1.2.1.		a.) 2/2/2017 b.) 5/23/2017
			II-1.2.3	KM-Cochin will revise its Official online OMS document format to include KM letter head and Accountable Officer signature.	Proposed changes will be reviewed, approved and implemented.	9/30/2017	
			II-1.2.4	KM-Cochin will develop a policy signed by the AO that provides line of sight from the policy to the protection program.	The policy will be reviewed, approved and implemented.	12/31/2017	

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7	Section 2.1 Hazards Identification, Risk Assessment and Control	<p>General Findings: KM-Cochin did not demonstrate that a link exists between the risk assessment and patrol activities to demonstrate where the risk analysis information has effected a change to the patrol program frequency or method.</p> <p><u>Analysis of Hazards and Potential Hazards:</u> At the time of the audit, KM-Cochin did not provide evidence that it monitors analyzes and trends hazards, incidents and near misses related to patrols.</p> <p>The Board is of the view that KM-Cochin has established regular ROW patrol activities based on pre-determined frequency requirements and not linked to real time hazard identification or analysis of hazards over time.</p> <p>NEB Conclusion: Based on the review conducted and considering the scope of this audit, the Board finds KM-Cochin in non-compliance with the OPR s.6.5 (1) (c), (d) and (e) as it relates to patrol activities.</p>	II-2.1.1	KM-Cochin will modify its current risk analysis process used in Canada to clearly show that it monitors, analyzes and trends hazards, incidents and near misses related to patrol activities and that it addresses the requirements of OPR s.6.5(1),(c),(d) and (e) as those requirements relates to patrol activities.	Proposed changes will be reviewed, approved and implemented.	12/31/2017	

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8	Section 2.2 Legal Requirements.	<p>General Finding: At the time of the audit, KM-Cochin provided the legislation listed in its procedures for review. The Board is of the view that these lists do not meet the OPR requirements because they are incomplete and maintained at an insufficient level of detail. In particular, the lists provided did not meet the OPR requirements in the following ways:</p> <ul style="list-style-type: none"> • titles of legislation were listed in procedures and not in one master list • the list consisted of titles of legislation not broken down to the requirement level; • the lists were out of date and did not include the new Damage Prevention Regulations (DPR); NEB Board Orders; and the CSA standards were not included in the procedures provided. <p>NEB Conclusion: KM-Cochin did not demonstrate that it is tracking and listing legal requirements and that its list included NEB Orders, Certificates or referenced legislation. Therefore this list is non-compliant with the OPR 6.5(1) (h).</p>	II-2.2.1 II-2.2.2	<p>As of July 2017, KM-Cochin has implemented the use of regulatory compliance software developed by Canadian based Nimonik. KM-Cochin has started to establish its Legal List down to the requirement level starting with NEB's Onshore Pipeline Regulations, DPR-O and DPR-A.</p> <p>Utilizing the Nimonik system referenced in item II-2.2.1, KM-Cochin will continue to develop its list of legal requirements, which will include applicable legislation, regulations, orders, certificates, standards and codes.</p>	<p>The Legal List for NEB's OPR, DPR-O, and DPR-A will be in place by 12/31/2017.</p> <p>KM-Cochin will continue to develop its list of legal requirements until it is complete and revise it when necessary.</p>	12/31/2017 12/31/2019	

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9	Section 2.4 Organizational Structure, Roles and Responsibilities	General Finding: See "NEB Conclusion below". NEB Conclusion: KM-Cochin did not demonstrate that it has a consistent method to communicate staff roles and responsibilities as required by OPR s. 6.4(b).	II-2.4.1	KM-Cochin will develop a process for communicating to staff the roles, responsibilities and authority of the officers and employees at all levels of the company related to patrol activities as required by OPR s.6.4 (b). KM will also document contractor's responsibilities for patrol activities in its construction and maintenance safety manuals.	Proposed changes will be reviewed, approved and implemented.	12/31/2017	
10	Section 3.1 Operational Control-Normal Operations	General Findings: 1.) The audit noted that procedure L-O&M 215 does not include details for regional practices such as the specific contact for the report of an aerial patrol pilot or KM-Cochin representative, or a phone number or radio channel to call. 2.) The Board notes that KM-Cochin's issue follow-up practices are not documented in a work instruction or reflected in the "Specialist – Right of Way SR" job description provided.	II-3.1.1 II-3.1.2	KM-Cochin will revise L-O&M 215 - Patrolling and Leak Detection, to include instructions on communication processes for reporting hazards and risks during our patrols and for communicating the corrective, mitigative, preventative and protective controls related to these hazards and risks. KM-Cochin will review its current processes and will implement applicable changes to address this finding.	Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented.	9/30/2017 12/31/2017	

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		<p>3.) KM-Cochin did not provide aerial patrol reports to demonstrate that aerial patrol had identified damaged or faded signs. In addition, KM-Cochin did not present an alternative patrol method that it used to verify that its ROW signage was meeting its internal standards.</p> <p>NEB Conclusion: Through the audit, the Board noted that KM-Cochin conducts a number of ROW maintenance activities by practice and without documentation and cannot demonstrate it has an established, implemented and effective process for developing and implementing corrective, mitigative, preventive and protective controls associated with the hazards and risks identified in elements 2.0 and 3.0, and for communicating these controls to anyone who is exposed to the risks.</p>	II-3.1.3 II-3.1.4	<p>KM-Cochin will modify its L-O&M 205 Pipeline Markers, Signs and Cover procedure to identify and replace damaged and faded signs.</p> <p>KM - Cochin will train its staff regarding any change made per item II-3-1-2.</p>	<p>Proposed changes will be reviewed, approved and implemented.</p> <p>Proposed changes will be reviewed, approved and implemented.</p>	12/31/2017 12/31/2017	
11	Section 3.2 Operational Control-Upset or Abnormal Operating Conditions	<p>General Findings: The process for contacting the KM control center for emergencies is not established in its procedures or training for upset and abnormal conditions.</p> <p>NEB Conclusion: The audit verified that Cochin is reporting emergency events and that there is a practice of contacting the KM control center for emergencies. However, KM-Cochin was unable to provide documentation, procedures or training.</p>	II-3.2.1 II-3.2.2	<p>KM-Cochin will evaluate and modify its L-O&M 215 patrol procedure to clearly establish and document when and how patrol personnel will contact the Houston Control Center for emergency conditions.</p> <p>KM-Cochin will train its staff for recognizing upset and abnormal conditions associated with patrols and the process for communicating these conditions to the control center.</p>	<p>Proposed changes will be reviewed, approved and implemented.</p> <p>Proposed changes will be reviewed, approved and implemented.</p>	9/30/2017 10/31/2017	

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12	Section 3.3 Management of Change	<p>General Finding: KM-Cochin did not provide any documentation to demonstrate that it has implemented a Management of Change (MOC) process that has been applied to its patrol activities.</p> <p>NEB Conclusion: The audit verified that KM-Cochin has not provided support documentation to demonstrate it has a MOC process that was applied to patrol activities and the changes in the DPR.</p>	II-3.3.1	Except for the depth of cover process mentioned in I-3.1.1, KM-Cochin has implemented changes to L-O&M 204-Construction, Near Company Facilities and L-O&M 215 Patrolling and Leak Detection to address the DPR-O and DPR-A regulations.	Proposed changes have been reviewed, approved and implemented through our KM L-O&M 155 MOC procedure.		7/14/2017
			II-3.3.2	<ul style="list-style-type: none"> a. KM-Cochin utilized its existing MOC process to route proposed DPR changes to applicable subject matter experts for approval, review and implementation. b. Our Monthly Regulatory Verification (MRV) system for tracking DPR changes will be updated upon completion of all DPR changes. 	<ul style="list-style-type: none"> a. KM has used its existing MOC process to implement changes to patrol activities related to the DPR. b. Our MRV will be updated when all DPR changes are complete. 	<ul style="list-style-type: none"> a. 7/14/2017 b. 12/31/2017 	
13	Section 3.4 Training, Competence and Evaluation	<p>General Finding:</p> <ol style="list-style-type: none"> 1.) The table of contents for KM-Cochin's ROW Protection Training from August 2008 included: <ol style="list-style-type: none"> a. Overview of ROW responsibilities; b. Damage Prevention/Public Education; and c. Various procedure numbers <p>The training material was not provided and therefore the audit could not verify if the training meets the expectations as required by the regulations.</p>	II-3.4.1	KM-Cochin is in the process of evaluating its training and its identification and tracking of training, for its employees and contractors associated with its patrol program and how it verifies competencies of its contractors regarding patrol activities. KM-Cochin will make applicable changes to address the Board's findings.	Proposed changes will be reviewed, approved and implemented.	12/31/2017	

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		<p>2.) KM-Cochin also provided a blank template documents for – “Covered Task 104.05 – Inspect surface conditions of right-of-way” performance evaluation and skill checklist. Revised in 2004 and 2006 respectively. These documents were not referenced in the ROW Protection Training table of contents so it is unclear whether or not KM-Cochin Pipeline Technicians receive this training as part of their competency training to conduct patrol activities. The Board also recognizes that the request to provide “completed” training and competency evaluations of personnel was not provided and therefore it cannot determine if OPR sections 6.5(1)(l) is being met.</p> <p>3.) The Board notes that KM-Cochin did not provide its training matrix, job descriptions or other documentation that defines training requirements to perform patrols.</p> <p>4.) KM-Cochin did not provided any documentation as evidence of environmental training completion by those responsible for conducting specified patrols to enable employees/ contractors to identify environmental issues on ROW patrols.</p>					

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		<p>5.) The Board also recognizes that this procedure is not included in the list of procedure's that are reviewed by Pipeline Technicians annually (Procedures Review Form). No records were provided to demonstrate who reviews this procedure or who evaluates competency on this procedure.</p> <p>6.) During interviews KM-Cochin indicated that it conducts annual training with the contract Aerial Patrol pilots, however they do not complete an assessment of learning or competency evaluation.</p> <p>7.) KM-Cochin did not provide any records to demonstrate that these evaluations [such as <i>those described by KM-Cochin as the "...evaluation of ROW personnel's understanding of associated procedures and performance of associated duties..."</i>] have occurred for patrol activities.</p> <p>NEB Conclusion: KM-Cochin did not demonstrate that it has developed and implemented a process for identifying, tracking and managing training for staff and contractors conducting patrols. In addition, the Board could not confirm that its training provides patrol staff and contractors with the adequate awareness to identify the issues as listed in CSA. The Board also found that KM-Cochin has not established and implemented a process for</p>					

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		identifying and verifying competencies of its contractors with respect to its patrol activities. As a result, the Board finds KM-COCHIN in non-compliance with the NEB OPR s. 6.5(1)(j), (k), (l), (p), and CSA Z662-15 clause 3.1.2(c).					
14	Section 3.5 Communication	<p>General Findings:</p> <p>1.) KM-Cochin did not provide documentation or records to demonstrate that it has documented external and internal processes for communicating information relating to its ROW maintenance and surveillance program. Internal communication at KM-Cochin is largely informal and KM-Cochin did not provide a communication plan to indicate how safety, security and environmental information is communicated throughout the company.</p> <p>2.) The Board notes that KM-Cochin did not provide a process describing how it notifies patrol contractors of procedural changes.</p> <p>NEB Conclusion:</p> <p>While KM-Cochin demonstrated that there is communication of issues related to damage prevention from the patrollers to the programs as well as from the programs to the patrols, it did not demonstrate that this communication was occurring as the result of a documented communication plan.</p>	II-3.5.1 II-3.5.2 II-3.5.3 	KM-Cochin will develop a communication plan that will include a process for external and internal communications regarding information relating to its ROW maintenance and surveillance program. KM-Cochin will modify its Management of Change Procedure to include instructions on how procedural changes will be communicated to patrol contractors. KM-Cochin will provide training for its staff and contractors regarding the changes made by items II-3.5.1 and II-3.5.2.	Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented.	10/31/2017 10/31/2017 11/30/2017	

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		Based on the Board's evaluation of KM-Cochin's communication practices against the requirements and the scope of this audit, the Board has determined that KM-Cochin is non-compliant with NEB OPR s. 6.5(1)(m).					
15	Section 3.6 Documentation and Document Control	General Findings: <ul style="list-style-type: none"> 1.) KM-Cochin did not provide a company process outlining how it prepares, reviews, revises and controls documentation such as procedures and templates. 2.) By practice, site specific procedures are reviewed annually. KM-Cochin provided blank templates of procedures to be reviewed and maintained annually, but did not provide evidence that supported "completion" of these reviews. 3.) L-O&M 2000 – Site Specific procedure did not clearly define if, or by whom, the site-specific procedure is reviewed to ensure they are in-line with and approved by the corporate office and the Accountable officers' direction. 4.) KM-Cochin was not able to demonstrate "how" document control is established and implemented. 	I-3.6.1 II-3.6.2 II-3.6.3 II-3.6.4	KM-Cochin's is currently evaluating its "document control process" to determine what changes may be required to further address this finding. KM-Cochin is currently evaluating our procedure review process and will determine if any changes are required. KM-Cochin is currently evaluating its L-O&M – Site Specific procedure to address this finding. KM-Cochin is currently evaluating its "document control process" to determine what changes may be required to further address this finding.	Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented. Proposed changes will be reviewed, approved and implemented.	12/31/2017 12/31/2017 12/31/2017 12/31/2017	

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		<p>5.) KM-Cochin did not provide documentation to verify that regulatory changes, such as changes to the DPR, triggered a review of its procedures.</p> <p>NEB Conclusion: Based on the Board's evaluation of KM-Cochin's document control process, the Board has determined that KM-Cochin is non-compliant with the NEB OPR sections 6.5(1)(i), (n), (o), 6.5(3) and CSA Z662-15 clause 3.1.2 (e).</p>	II-3.6.5	<p>KM-Cochin's MRV process has triggers that require the review of regulatory changes however we are assessing what improvements should be made to our current process.</p>	<p>a.) Proposed changes have been reviewed, approved and implemented.</p>	12/31/2017	
16	Section 4.3 Internal Audit	<p>General Findings: During the interviews, KM-Cochin stated that patrol activities were not included as part of its internal audit program. Therefore, KM-Cochin could not demonstrate that its patrol activities had been the subject of a review for adequacy or effectiveness or as part of a quality assurance program.</p> <p>NEB Conclusion: The Board found that KM-Cochin has not established and implemented an effective quality assurance program for the management system and for each protection program, including a process for conducting regular inspections and audits that include patrols.</p> <p>As a result, the Board finds KM-Cochin in non-compliance with NEB OPR s 6.5(1)(w).</p>	II-4.3.1	<p>KM-Cochin will modify its internal audit program and quality assurance process to address this finding.</p>	<p>Proposed changes will be reviewed, approved and implemented.</p>	12/31/2017	

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17	Section 5.1 Management Review	<p>General Findings: KM-Cochin provided excerpts from its Integrity Management Program's performance presentation to senior management, which included third party damage as a threat and patrols as part of the damage prevention activities. KM-Cochin did not provide evidence that patrol activities were contained in the annual report to the AO.</p> <p>NEB Conclusion: Based on the lack of information provided to demonstrate management review of patrol activities, the Board has determined that KM-Cochin is non-compliance with NEB OPR sections 6.1</p>	II-5.1	<p>As noted by the Board, KM-Cochin's Integrity Management Program presentation to senior management included "...patrols as part of the damage prevention activities..."</p> <p>KM-Cochin will enhance the level of patrol information that is included in the annual report signed by the Accountable Officer to include reference to information that has been communicated to management for its review of patrol activities. This change will be reflected in KM-Cochin's Annual Report for 2017, which is due on or before 4/30/2018.</p>	Proposed changes will be reviewed, approved and implemented.	4/30/2018	