

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 19, 2010

Mr. Tom Young
Chief Operating Officer
The Gas Company
515 Kamakee Street
Honolulu, HI 96802-3000

CPF 5-2010-0007

Dear Mr. Young:

On November 16, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, conducted an investigation into the events surrounding a release of gas and a subsequent explosion at 235 South Beretania Street in Honolulu, Hawaii that occurred on August 13, 2009.

As a result of the investigation, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. **§192.459 External corrosion control: Examination of buried pipeline when exposed.**

Whenever an operator has knowledge that any portion of a buried pipeline is exposed, the exposed portion must be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated. If external corrosion requiring remedial action under Secs. 192.483 through 192.489 is

found, the operator shall investigate circumferentially and longitudinally beyond the exposed portion (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion.

Evidence gathered during the course of this failure investigation indicates that The Gas Company did not fully examine or determine the need for remedial action for one of your pipelines exposed to the atmosphere when it was first discovered in 2006. That pipeline subsequently failed due to extensive external corrosion.

From a review of your records, it appears The Gas Company's first knowledge of the exposed 4" main in the MTCO vault across from 235 South Beretania Street occurred on October 2, 2006. On October 26, 2006, it appears that your company made an effort to reroute the pipe out of the vault but could not due to the proximity of your line to an extended concrete conduit block. No evidence was provided that Gas Company personnel assessed the condition of the exposed pipe at this time. Furthermore, there are no records between October 26, 2006, and August 13, 2009, that show any follow-up evaluation or remediation activity concerning the pipe exposed in the vault. On August 13, 2009, the heavily corroded main leaked, gas migrated into an adjacent building and an explosion occurred.

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to The Gas Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 5-2010-0007** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 P. Katchmar (#127077)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to The Gas Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of The Gas Company with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to pipeline facilities exposed to the atmosphere, you must investigate the remainder of your distribution system on Oahu for evidence of other areas where your pipelines may be exposed to the atmosphere. If any additional steel pipelines are discovered to be exposed to the atmosphere, you must examine them for evidence of external corrosion, and either repair them or replace them per appropriate code requirements.
2. Also, in regard to Item Number 1 of the Notice pertaining to pipeline facilities exposed to the atmosphere, you must train all operation and maintenance personnel who, in the execution of their normal duties could identify any pipe exposed to the atmosphere that would require follow-up per §192.459.
3. Upon the completion of this system wide review required in item #1 above, you must combine the results into a summary report and submit the report to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. The report must include the location, type of pipe identified and remediation for each incident discovered.
4. You must complete items #1, #2 and #3 above within 60 days of receipt of the Final Order issued in this case.
5. The Gas Company shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.