

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 28, 2012

Mr. Peter Guadagni
General Manager
Island Energy
440 Walnut Avenue
Mare Island, CA 94592-0001

CPF 5-2012-0021W

Dear Mr. Guadagni:

On March 7, 2012, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Public Awareness Program in Mare Island, California.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

- 1. §192.616 Public Awareness**
(h) Operators in existence on June 20, 2005, must have completed their written programs no later than June 20, 2006.

Island Energy did not develop a written public awareness plan until October 2011. During our inspection, Island Energy could not produce any documentation that a written public awareness plan existed before October 2011.

2. §192.616 Public Awareness

(b) The operator's program must follow the general program recommendations of API RP 1162 and assess the unique attributes and characteristics of the operator's pipeline and facilities.

Island Energy did not clearly describe the 10" diameter pipeline that supplies the natural gas to the Island Energy distribution system. The pipeline was not clearly defined as a specific asset covered in the Public Awareness program, nor was the unique attributes of that pipeline assessed.

3. §192.616 Public Awareness

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

The Island Energy Public Awareness Plan does not include a written evaluation process that specifies how Island Energy will periodically evaluate program implementation and effectiveness. Furthermore, Island Energy could not produce any documentation showing a written evaluation had been conducted.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in Island Energy being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2012-0021W**. 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).

Sincerely,

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

cc: PHP-60 Compliance Registry
PHP-500 R. Reineke (#137906)