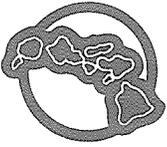


March 6, 2009



Mr. Chris Hoidal
Director, Western Region
Pipeline and Hazardous Material
Safety Administration
12300 Dakota Ave., Suite 110
Lakewood, Co. 80228

04-27-09P01:37 RCVD

RE: CPF 5-5012M

Dear Mr. Hoidal,

On February 25, 2009, we received a Notice of Amendment from your office. The Notice of Amendment resulted from the August 2008 DOT Inspection of our Integrity Management Program (IMP) Procedures at our Hilo, HI facility, by Huy Nguyen.

In the attached responses, we have reproduced each of the stated concerns and provided a reply. We have included references to what existed at the time of the inspection, and the changes made to our program to provide better visibility of the methods we use to conduct business related to our pipeline integrity management. HELCO's performance related to integrity management has shown itself to be, at a minimum, adequate, and is proven by our minimal leak and damage history. With that said, we also recognize that there is always room to improve and have already made several program improvements that are resulted from the August Inspection.

While we feel we have adequately responded to your concerns, we value your input on both regulatory and non-regulatory matters concerning our IMP and will respond quickly to any further recommendations from your office.

Sincerely,

A handwritten signature in cursive script that reads "Norman Verbanic Jr." The signature is written in dark ink and is positioned above the printed name.

Norman Verbanic Jr.
Production Department Manager

Enclosure

NV;RM:

rjc

DOT CONCERN AND HELCO RESPONSE

1. The HELCO procedures do not ensure the IMP reviewer and evaluators are qualified. The procedures currently require the documentation of their IMP team members: however, the procedures do not specify the level of qualifications the IMP reviewers must have to adequately review and analyze the assessment results.

HELCO Response:

Section I of HELCO's INTEGRITY MANAGEMENT PROGRAM revision 4, July 2008 contains procedures, requirements and qualifications for IMP Core Team Members and Support Team Members. It is apparent that the DOT Inspector agreed with the Core Team Member Qualification Requirements but did not feel that the Support Team Requirements were adequate. Exhibit 1-A are pages 1-7 through 1-9 that describe HELCO's current Support Team qualification requirements. Exhibit 1-B is what will be the March 2009 IMP update of that same Section. The changes to that Section are highlighted. The changes in the IMP shall be included in appropriate section(s) of the HELCO OPERATOR QUALIFICATION MANUAL.

2. The HELCO procedures are inadequate for considering the risks associated with their pipeline facility beyond just line pipe. The facility risk needs to define how equipment such as pumps, valves, and gaskets is addressed via the risk analysis and P&PM processes.

HELCO Response:

One of the difficulties in having multiple programs related to a hazardous pipeline is that not all information surfaces during each inspection. HELCO's FUEL OIL OPERATION AND MAINTENANCE MANUAL lists the required Operator inspection points which includes all above ground piping and components which are in our tank farm containment. The HELCO OPERATOR QUALIFICATION AND TRAINING MANUAL identifies the OJT and related evaluations required of HELCO operating personnel who perform these daily inspections. Annual IMP Core Team Meeting Agenda have always includes discussion on components beyond line piping. Check Valve evaluation, Safety Relief Valve placement along with Breakout Tank issues have all been discussed at length. Exhibit 2 A contains Section 2 of our IMP manual and concerns Breakout Tank issues that were addressed by the HELCO IMP Core Team. Also included, is page 3 of Section 8 ASSESSMENT, INSPECTION RESULTS, REVIEW AND REMEDIATION. This page shows that we assess pipeline components beyond the piping itself.

Exhibit 2-B displays the highlighted changes we will make to Sections 5 and 8 after our 2009 IMP Core Meeting.



Exhibit 1-A

- Familiarity with Facility Emergency Response Plan, Spill Contingency Plan, Drug Alcohol Program and HELCO Accident Prevention Manual (APM)
- 24 hour HAZWOPER First Responder Operations Level Training
- Key Participant in HELCO Incident Command System (ICS)

Support Team Members are selected for their subject matter expertise. Most Support Team Members will be qualified through the HELCO Fuel Oil Pipeline Operator Qualification (OQ) Program if their expertise involves “covered tasks”. For those instances that fall outside of the “covered task” boundary, the Core Team shall establish minimal qualification requirements to be documented. This documentation shall include background checks into education, credentials, certifies and work experiences specific to the job specifications or required expertise. This qualification shall be documented along with IMP meeting report. If a Support Team Member is new to the Team, qualifications shall be verified and document prior to the Meeting when practical.

All Support Team Members

- Proof of expertise
 - Degree, Credential and/or certification by recognized source
 - Proof of Company or Government Training relevant to field
 - Proof of training or equivalent work experience
- General knowledge of 49 CFR 195
- General knowledge of HELCO’s Fuel Oil Pipeline Integrity Management, Operation and Maintenance, and Operator Qualification programs through making the Manual available to them.
- Ability to recognize and appropriately respond to Abnormal, Safety Related and Emergency Operating Conditions relevant to their area of expertise.

Exhibit 1-A

***** _____ *****

*Sample Support Team Member Qualification documentation for a covered task as per HELCO Fuel Oil OPERATOR QUALIFICATION (OQ) MANUAL, Contractor / Vendor Qualifications***

INLINE TOOL DATA INTERPRETER

Covered Tasks

Read ILI Tool Data

1. Compare metal loss anomalies that require repair
2. Identify anomalies that require repair
 - Immediate
 - 90 Day
 - 180 day
 - Pressure reduction
3. Identify dents and deformations
 - Pressure reduction
4. Advise on verification
 - Anomaly clusters
 - Other factors

O.O. Related documentation

- ANSI/ASNT-ILI PQ 2005, In-Line Inspection Personnel Qualification Certification Std. (approved May 2, 2005) Documentation or other industry documentation that could include

Exhibit 1-A

- API 1163, In-Line Inspection Systems Qualification STD. and/or NACE Std. RPO 102-2002 Documentation
- Signature of receipt of HELCO Fuel Oil Pipeline, IMP, O&M and OQ Programs

1-7

- Proof of participation in a DOT approved Drug/Alcohol Program.
- 100% test score on a written test to identify knowledge of recognition and response to Abnormal, Safety Related and Emergency Operating Conditions.
- Additional documentation may include
 - Engineering degree specific to
 - NDT
 - Metallurgy
 - Quality Control related to metallurgy
 - Published or retains credible institution position
 - In-house training program or certification from a recognizable company.
 - Trade organization endorsements
 - Reliable recommendations

As HELCO requires that only qualified individuals shall: Review ILI Tool data

- Analyze ILI Tool data
- Report integrity assessments results
- Consult with HELCO IMP Core Team on
 - Repair
 - Pressure reduction requirements

1-9

Exhibit 1-A

- Tool data verification

When OQ personnel work for an approved vendor, insure that an appropriate method for feedback and communication short comings in data reliability, tool performance, OQ documentation, personnel performance, other misunderstandings or issues has be pre-established.

Exhibit 1-B

- Familiarity with Facility Emergency Response Plan, Spill Contingency Plan, Drug Alcohol Program and HELCO Accident Prevention Manual (APM)
- 24 hour HAZWOPER First Responder Operations Level Training
- Key Participant in HELCO Incident Command System (ICS)

Support Team Members (Consultants, Vendors, Contractors or other providing Professional Services) are selected for their subject expertise. Most Support Team Members will be qualified through the HELCO Fuel Oil Pipeline Operator Qualification (OO) Program if their expertise involves previously known “covered tasks”. For those instances that fall outside of this normal “covered task” boundary, the Core Team shall establish minimal qualification requirements to be documented. This documentation shall include background checks into education, credentials, certificates and work experiences specific to the job specifications or required expertise. These qualifications shall be documented along with the IMP meeting or report. If a Support Team Member is new to the Team, qualifications shall be verified and document prior to the Meeting when practical.

All Support Team Members

- Proof of expertise or competency for performance covered tasks.
 - Degree, Credential and/or certification by recognized source
 - Proof of Company or Government Training relevant to field
 - Proof of training or equivalent work experience
- General knowledge of 49 CFR 195
- General knowledge of HELCO’s Fuel Oil Pipeline Integrity Management, Operation and Maintenance, and Operator Qualification programs through making the Manual available to them.
- Ability to recognize and appropriately respond to Abnormal, Safety Related and Emergency Operating Conditions relevant to their area of expertise.

Exhibit 1-B

- Where no listing of covered tasks exists, the Support Team Member shall provide Core Team Member(s) a work procedure for the job(s) to be performed. This procedure will be used by the Core Team for the identification of covered tasks.

***** _____ *****

*Sample Support Team Member Qualification documentation for a covered task as per HELCO Fuel Oil OPERATOR QUALIFICATION (OQ) MANUAL, Contractor / Vendor Qualifications***

INLINE TOOL DATA INTERPRETER

Covered Tasks

Read, interpreted analyze and report ILI Tool Data provide by ILI tool runs

1. Locate, identify, measure and evaluate anomalies
2. Identify Metal loss anomalies
3. Identify dent and deformation anomalies
4. Identify and make recommendations of anomalies which require repair
 - Immediate
 - 90 Day
 - 180 day
 - Pressure reduction
 - Verification
5. Recommend repair methods based upon pipe rehabilitation to an established percent of original condition or strength
6. Advise anomaly locating
 - Dig Sheets

Exhibit 1-B

- Identification and call out of
 - Integral anomalies
 - External anomalies
 - Clock position
- 7. Other identification and recommendations
 - Tool verification
 - Anomaly cluster tracking
 - Frequency of line cleaning
 - Frequency of ILI Tool runs
 - Other factors

O.O. Related documentation for INLINE TOOL DATA INTERPERETER

ANSI/ASNT-ILI PQ 2005, In-Line Inspection Personnel Qualification Certification Std. (Approved May 2, 2005) Documentation or other industry documentation that could include API 1163, In-Line Inspection Systems Qualification STD. and/or NACE Std. RPO 102-2002 Documentation **If more current standard are available, they shall used.*

- Signature of receipt of HELCO Fuel Oil Pipeline, IMP, O&M and OQ Programs
- Proof of participation in a DOT approved Drug/Alcohol Program.
- 100% test score on a written test to identify knowledge of recognition and response to Abnormal, Safety Related and Emergency Operating Conditions.
- Additional documentation may include
 - Engineering degree specific to
 - NDT
 - Metallurgy
 - Quality Control related to metallurgy
 - Published or retains credible institution position

Exhibit 1-B

- In-house training program or certification from a recognizable company.
- Trade organization endorsements
- Reliable recommendations

HELCO requires that only Qualified Individuals shall:

Review ILI Tool data

- Analyze ILI Tool data
- Report integrity assessments results
- Consult with HELCO IMP Core Team on
 - Repair
 - Pressure reduction requirements
 - Tool data verification

When OQ personnel work for an approved vendor, insure that an appropriate method for feedback and communication of short comings in data reliability, tool performance, OQ documentation, personnel performance, other misunderstandings or issues has been pre-established.

Exhibit 2-A

2.0 HCA IDENTIFICATION PROCESS

Under the requirements of 49 CFR 195, HELCO must determine if a pipeline segment could affect an HCA in the event of an unintended release. All segments that pass through or could affect an HCA due to their proximity were identified by November 18, 2002 and forwarded to the DOT Office of Pipeline Safety (OPS) for review. (See map APPENDIX G). During 2004 and 2005, reevaluation of HCAs potentially within the influence of the HELCO Fuel Oil Pipeline revealed that little had changed. In 2006 once again, there is little change to the Hilo area HCAs. There is an increase in cruise ship visits and there are two new designated parks on both sides of Reeds Bay. The location of these considerations are both in Sections 1-A and 1-B, which have always been identified as equally considered top priority.

The 2005 designation of the Breakout Tank at Hill Tank Farm was informally evaluated for affect on the HCAs. This 35,000 barrel tank was not a consideration in the original framework as it was not dedicated as a Breakout Tank at that time. It is located within the same HCA as Section 1-C. Formal IMP Core Team decisions on risk analysis with applied known data were discussed and evaluated at the 2006 IMP Team Meeting. Questionnaires shall be altered to include the Breakout Tank into risk assessment and more completely processed into the HELCO IMP. The environmental threat that the tank poses is minimized by its 36,907 barrel containment berm and its inclusion in event planning with the HELCO Facility Spill Response Plan table top drills. The tank has been cathodically protected and the exterior had received a Preliminary External Inspection in November of 2005.

During 2007 it was identified by the Core Team that API inspection of Tank 6 would be difficult due to Power Plant fuel oil inventory requirements and it was decided to

Exhibit 2-A

change the breakout tank designation to Tank#5-A which had already been inspected under API standards. The conversion occurred in 2007. As capacity of Tank #5-A is considerably less than Tank #6, there is adequate berm capacity and the internal condition is known to have been within API specifications. Supporting data and Tank #5-A specification are on file with the HELCO Fuel Oil Operations and Maintenance File.

During this inspection, the ultrasound testing was performed to Section V., ASME Code, and the indications were that the welds and wall thickness data were within API Standards. As more current assessment data becomes available, it shall be validated and evaluated to identify areas for improvement of tank integrity. As the tank is currently in-service, plans for more detailed internal and external inspection shall be discussed during upcoming IMP Team Meetings.

The described process has been utilized where data existed and was available. If data was unobtainable or suspect, a worst case scenario was assumed. The uniqueness and importance of Hawaii's fragile and susceptible environment requires that all areas near and within the pipeline corridor be considered as unusually sensitive areas, and we have and will continue to base our integrity processes on this assumption.

Exhibit 2-A

5.0 RISK ASSESSMENT QUESTIONNAIRE

The following risk assessment questionnaire shall be used to periodically evaluate data for each pipeline segment that has the potential for impacting an HCA. For the initial or baseline assessment, this screening tool was designed as a series of questions that address “Cause” factors that could lead to a potential incident, and the “Impact” factors that describe the impacts to the public and environment. The answers to each question are weighted, as are the general categories, based on the most recent information available and site-specific conditions that exist.

Individual risk parameters are identified and assigned a relative risk value. The individual risk values were then combined to calculate an overall “relative” risk score. The Relative Risk Score was then calculated for each segment as identified in API Standard 1160. This same process shall be used for future evaluations and shall be compared to those of previous years to identify change.

5.1 CATEGORY WEIGHTING PRIOR TO 2005

The general categories were originally weighted as follows:

1. Outside Force Damage 35%
2. Corrosion 30%
3. Pipeline Design 20%
4. Operations 10%
5. Other factors 5%

Outside force damage was assigned the highest weighting because it has been noted throughout the industry as a consistent cause of cathodically protected pipeline failures, primarily through third-party damage. This was further complicated by a raised probability because of limited one-call laws in Hawaii, the number of foreign pipelines

Exhibit 2-A

5-1

that run parallel to or crossing the HELCO pipeline by other pipelines, and the potential for intrusive construction activities in populated and population-growth areas.

Corrosion had been given a high weight factor because industry historical data suggest that corrosion is a likely cause of failure. The HELCO Fuel Oil Pipeline sections are not particularly prone to internal corrosion, but external corrosion is always a possibility.

Pipeline design had been given a moderate weighting due to the difficulty to hydro test, no smart pigging capabilities at that time, a lack of check valves or flow restriction devices (FRD), and limited accuracy of flow monitoring.

Operations had been given a lower weight because of the detailed Operation and Maintenance Program, effective training and Operator Qualification programs. While we do acknowledge that we have had one pressure related Safety Related Condition, as of this date no failures have resulted within this category.

Other factors had been given a low weighting because HELCO's only incidents had been attributed to third-party damage. While the pipeline had been in existence during several severe environmental disturbances and acts of nature, none of these events have had apparent effects on the pipeline.

A relative-risk score is then calculated by factoring in consequences based on population, environmental, and product considerations, as described further in Section 6.0.

5-2

Exhibit 2-A

2005 Weighting Process

The 2004 IMP Team met in early 2005 and reestablished category weights. Influencing factors were:

- Review of 2004 DOT Hazardous Liquid Accident data
- Previous CIS Data
- ILI data for Sections 1-A & 1-C
- Operations Pump Pressure Logs
- One-Call reports
- Public Awareness Survey Results
- Leak history
- Near misses
- Visual inspections of exposed pipe

DOT data indicated that internal and external corrosion was the #1 cause of accidents for 2004 and the number of incidents had increased from 2003. While the team found this information informative it was decided that Outside Force Damage would remain our #1 concern and we increased its weight. While our commodity does not eliminate internal corrosion, none had been observed in piping sections removed for repair or modifications. CIS data did not show anything alarming and examination of piping when exposed showed no degeneration in coatings. The soil conditions of our pipe locations allow good drainage and pipe buried near salt water sources have natural flushing with fresh spring water. We opted to decrease the weighting for corrosion because of direct observation of sections (internal/external corrosion indication and coating), no significant pipe dents (Stress corrosion potential) and no significant metal loss anomalies identified during Section 1-A & 1-C ILI metal loss tool runs.

Exhibit 2-A

- Valve maintenance and checking at least two times per calendar year, not to exceed 7-1/2 month intervals
- Relief valve inspection and calibration once per calendar year, not to exceed 15-month intervals
- Routine external Breakout tank inspections ever month, not to exceed 45 days by qualified HELCO personnel.
- External UT breakout tank inspections every five years by a qualified API Inspector unless tank conditions dictate more frequent intervals.
 - UT measurements shall be conducted in accordance with Section V of the ASME Code
- Cathodic Protection Surveys shall be conducted in accordance with API RP 651

All inspection data shall be reviewed by all Members of the IMP Team and the above timelines may be shortened if data evaluation indicates a need for more frequent assessments. IMP Support Members who are qualified subject matter experts shall be consulted where needed to justify the above inspection intervals. The frequency of evaluation of risk factors needs to be specific to the HELCO pipeline. The data review and recommendations shall be documented.

Exhibit 2-B

5.0 RISK ASSESSMENT QUESTIONNAIRE

The following risk assessment questionnaire shall be used to periodically evaluate data for each pipeline segment that has the potential for impacting an HCA. For the initial or baseline assessment, this screening tool was designed as a series of questions that addressed “Cause” factors that could lead to a potential incident, and the “Impact” factors that describe the impacts to the public and environment. The answers to each question are weighted, as are the general categories, based on the most recent information available and site-specific conditions that exist.

Individual risk parameters are identified and assigned a relative risk value. The individual risk values were then combined to calculate an overall “relative” risk score. The Relative Risk Score was then calculated for each segment as identified in API Standard 1160. This same process shall be used for future evaluations and shall be compared to those of previous years to identify change.

5.1 CATEGORY WEIGHTING

PRIOR TO 2005

The general categories were originally weighted as follows:

1. Corrosion 35%
2. Pipeline Design and components 20%
3. Outside Force Damage 35%
4. Operations 10%
5. Other factors 5%

Outside force damage was assigned the highest weighting because it has been noted throughout the industry as a consistent cause of cathodically protected pipeline failures, primarily through third-party damage. This was further complicated by a raised probability because of limited one-call laws in Hawaii, the number of foreign pipelines

Exhibit 2-B

that run parallel to or crossing the HELCO pipeline by other pipelines, and the potential for intrusive construction activities in populated and population-growth areas.

Corrosion had been given a high weight factor because industry historical data suggest that corrosion is a likely cause of failure. The HELCO Fuel Oil Pipeline sections are not particularly prone to internal corrosion, but external corrosion is always a possibility.

Pipeline design had been given a moderate weighting due to the difficulty to hydro test, no smart pigging capabilities at that time, a lack of check valves or flow restriction devices (FRD), and limited accuracy of flow monitoring.

Operations had been given a lower weight because of the detailed Operation and Maintenance Program, effective training and Operator Qualification programs. While we do acknowledge that we have had one pressure related Safety Related Condition, as of this date no failures have resulted within this category.

Other factors had been given a low weighting because HELCO's only incidents had been attributed to third-party damage. While the pipeline had been in existence during several severe environmental disturbances and acts of nature, none of these events have had apparent effects on the pipeline.

A relative-risk score is then calculated by factoring in consequences based on population, environmental, and product considerations, as described further in Section 6.0.

Exhibit 2-B

2005 Weighting Process

The 2004 IMP Team met in early 2005 and reestablished category weights. Influencing factors were:

- Review of 2004 DOT Hazardous Liquid Accident data
- Previous CIS Data
- ILI data for Sections 1-A & 1-C
- Operations Pump Pressure Logs
- One-Call reports
- Public Awareness Survey Results
- Leak history
- Near misses
- Visual inspections of exposed pipe

DOT data indicated that internal and external corrosion was the #1 cause of accidents for 2004 and the number of incidents had increased from 2003. While the team found this information informative it was decided that Outside Force Damage would remain our #1 concern and we increased its weight. While our commodity does not eliminate internal corrosion, none had been observed in piping sections removed for repair or modifications. CIS data did not show anything alarming and examination of piping when exposed showed no degeneration in coatings. The soil conditions of our pipe locations allow good drainage and pipe buried near salt water sources have natural flushing with fresh spring water. We opted to decrease the weighting for corrosion because of direct observation of sections (internal/external corrosion indication and coating), no significant pipe dents (Stress corrosion potential) and no significant metal loss anomalies identified during Section 1-A & 1-C ILI metal loss tool runs.

Exhibit 2-B

2006 Weighting Process

The 2006 IMP Team met in early 2006 and reestablished category weights. Influencing factors were:

- Review of 2005 DOT Hazardous Liquid Accident data
- 2005 CP Report
- Near misses of 3rd party damage
- Operations Pump Pressure Logs
- One-Call reports
- Public Awareness Survey Results
- Leak history
- Visual inspections of exposed pipe
- DOT Inspections

DOT data indicated that internal and external corrosion was still the #1 cause of accidents for 2005 and the number of incidents had increased from 2004. Once again the team decided that Outside Force Damage would remain HELCO's #1 concern and we maintained last year's weight.

2006 Weighting Process

The 2006 IMP Team met in late 2006 and revisited category weights. As very little had other than an increase in OnCall and Public Awareness contact had occurred the weight remained the same as last year.

2007 Weighting Process

No change to weighting. Only concern was potential 3rd party damage as 2 near misses without use of OneCall were identified.

Exhibit 2-B

- 1. Results of 2008 DOT Audit identifies that more attention is need towards, OQ of contractor and vendor providing services. Both the IMP and the OQ program needs to be looked at more closely to insure that we are in compliance and this shall be a topic at the 2nd quarter 2009 Team Meeting. The other DOT issue is the evaluation of Pipeline Components other than pipe. Even though our Breakout Tank, PRV and other valves and fittings are within containment and visually inspected daily by OQed Operations personnel, we need to look our inspection practices and capture our process and factor the topic into our risk assessment process. It would also seem prudent to increase the weight value for Pipeline Design and components.**

Exhibit 2-B

9. If pipe has had In-line Inspection, (Smart Pig), what is condition after ILI inspection was conducted and repairs were made?

- Excellent condition (nearly new)
- Generally good condition
- Fair condition
- No ILI conducted

5.2.3 PIPELINE * *A minimum of 3 questions related to pipe components will be added to this section. Questions shall be established at the 2009 2nt Qt. IMP Core Team Meeting. Current(2009) ILI Tool Data will be incorporated into questions as will Breakout Tank information. HELCO has plans to recalculate its risk assessment in 2009/.*

Answer the following questions by checking the ONE best answer.

1. Has the pipeline been hydro-tested to 125% of MOP?

- Yes
- No

2. Years since last hydro-test:

- Less than 5 years
- 5 to 15 years
- Over 15 years
- None

3. What is ratio of operating pressure vs. MOP?

- Less than 0.4 (40%)
- 0.4 to 0.8 (40% to 80%)
- More than 0.8 (80%)

4. Has the pipe experienced longitudinal or girth weld seam failure either during hydrostatic testing or routine operations?

- No
- Yes

5. Is valve spacing adequate?

Exhibit 2-B

- Yes
- Meets legal requirements but could use additional valves

- Valve maintenance and checking at least two times per calendar year, not to exceed 7-1/2 month intervals
- Relief valve inspection and calibration once per calendar year, not to exceed 15-month intervals
- Routine external Breakout tank inspections ever month, not to exceed 45 days by qualified HELCO personnel.
- External UT breakout tank inspections every five years by a qualified API Inspector unless tank conditions dictate more frequent intervals.
 - UT measurements shall be conducted in accordance with Section V of the ASME Code
- Cathodic Protection Surveys shall be conducted in accordance with API RP 651

All inspection data shall be reviewed by all Members of the IMP Team and the above timelines may be shortened if data evaluation indicates a need for more frequent assessments. IMP Support Members who are qualified subject matter experts shall be consulted where needed to justify the above inspection intervals. The frequency of evaluation of risk factors needs to be specific to the HELCO pipeline. The data review and recommendations shall be documented.