

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 28, 2016

Ms. Alicia Moy  
President & CEO  
Hawaii Gas  
745 Fort Street Mall, Ste. 1800  
Honolulu, Hawaii 96813

**CPF 5-2016-0010M**

Dear Ms. Moy:

On October 20-24 and October 27-30, 2014, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Hawaii Gas' procedures and records for their Distribution Integrity Management Program (DIMP) in Honolulu, Hawaii.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Hawaii Gas' plans or procedures, as described below:

1. **§192.1007 What are the required elements of an integrity management plan?**  
**A written integrity management plan must contain procedures for developing and implementing the following elements:**
  - ... (e) **Measure performance, monitor results, and evaluate effectiveness.**
    - (1) **Develop and monitor performance measures from an established baseline to evaluate the effectiveness of its IM program. An operator must consider the results of its performance monitoring in periodically re-evaluating the threats and risks. These performance measures must include the following:**
      - (i) **Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) of this subchapter (or total number of leaks if all leaks are repaired when found), categorized by cause;**
      - (ii) **Number of excavation damages;**
      - (iii) **Number of excavation tickets (receipt of information by the underground**

- facility operator from the notification center);
- (iv) Total number of leaks either eliminated or repaired, categorized by cause;
- (v) Number of hazardous leaks either eliminated or repaired as required by § 192.703(c) (or total number of leaks if all leaks are repaired when found), categorized by material; and
- (vi) Any additional measures the operator determines are needed to evaluate the effectiveness of the operator's IM program in controlling each identified threat.

Hawaii Gas' written Distribution Integrity Management Plan (DIMP) did not contain procedures to properly measure performance, monitor results, and evaluate the effectiveness of its integrity management program from an established baseline. DIMP procedures must consider the results of an operator's performance monitoring in periodically re-evaluating the threats and risks.

Hawaii Gas' written DIMP Section 6.1 stated, *"After the conclusion of each calendar year, the IMP [integrity management program] Engineer will collect the necessary data to evaluate the performance of all system-wide and threat specific performance measures against performance measure goals."* However, the procedures lacked sufficient detail on how the IMP Engineer was to collect the data. For example, the procedures did not include a list of data sources or other program documentation to be used in the data collection process.

Additionally, Hawaii Gas' written DIMP procedures did not provide for the collection of data for each of the required performance measures. Section 6.1 also stated, *"During the first quarter of each year the IMP Engineer will review current performance measures to determine if they are providing objective evidence (e.g., performance trends) for evaluating the Oahu Program's effectiveness and each DIMP element's effectiveness. The IMP Engineer tracks the selected system-wide and threat specific performance measures from an established baseline shown in Figure 6.1 - Oahu DIMP Performance Measures."* However, the procedures lacked sufficient detail on how the IMP Engineer was to measure the effectiveness. For example, the procedures did not include steps on how data could be counted, graphed, and validated.

**2. §192.1007 What are the required elements of an integrity management plan?**

**A written integrity management plan must contain procedures for developing and implementing the following elements:**

**... (d) Identify and implement measures to address risks. Determine and implement measures designed to reduce the risks from failure of its gas distribution pipeline. These measures must include an effective leak management program (unless all leaks are repaired when found).**

Hawaii Gas' written DIMP did not include procedures to properly identify and implement measures designed to reduce the risks from failure of its gas distribution pipeline, which must include an effective leak management program (unless all leaks are repaired when found).

While Hawaii Gas re-evaluated leaks on its distribution system on an on-going basis to assess the priority of leak repairs, this practice was not found in its written DIMP. Hawaii Gas must self-assess to determine if additional actions are necessary to keep people and

property safe and must amend its procedures to include the self-assess element of an effective leak management program.

**3. §192.1007 What are the required elements of an integrity management plan?**

**A written integrity management plan must contain procedures for developing and implementing the following elements:**

**... (b) *Identify threats.* The operator must consider the following categories of threats to each gas distribution pipeline: corrosion, natural forces, excavation damage, other outside force damage, material or welds, equipment failure, incorrect operations, and other concerns that could threaten the integrity of its pipeline. An operator must consider reasonably available information to identify existing and potential threats. Sources of data may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience.**

Hawaii Gas' written DIMP did not include all of the required threat categories and it did not consider reasonably available information to identify existing and potential threats.

Hawaii Gas' written DIMP Section 3.3.8 "*Other Threat*" stated, "*There are no other unique threat types present on all of the Oahu SNG and LPG distribution systems, so the Other Threat category is not used in PFIM risk model.*" This statement was not consistent with Hawaii Gas' historical leak records or with its Pipeline and Facilities Integrity Manager (PFIM) risk model.

During a review of Hawaii Gas' 2013 Annual Report for its gas distribution system, the PHMSA inspector noted numerous leaks reported under the "*other*" category. Moreover, the PHMSA inspector found that Hawaii Gas was involved with, or considered data from, organizations such as the Western Energy Institute (WEI), National Association of Corrosion Engineers (NACE), and City and County of Honolulu, among others; yet, the written DIMP did not include the consideration of external sources or specify each source that may be consulted within the plan.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within [number of days] days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Hawaii Gas maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 5-2016-0010M** 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

cc: PHP-60 Compliance Registry  
PHP-500 C. Ishikawa (#147744)

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*