



**ISLAND
ENERGY**

Mark Hepburn
Logistics Manager

Kapolei Refinery
IES Downstream, LLC
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01-10-17A11:26 RCVD

January 4, 2017

Certified Mail No. 7015 3430 0000 0537 5454
Return Receipt Requested

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
U.S Department of Transportation
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

Re: CPF 5-2016-6013 Notice of Probable Violation and Proposed Compliance Order for
Chevron Products Company

Dear Mr. Hoidal,

Donald T. Johnson of the U.S Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA") forwarded John Aweeka of Island Energy Services, LLC ("Island Energy") the above referenced Notice of Probable Violation and Proposed Compliance Order ("Order") addressed to Chevron Products Company ("Chevron") which arose from a U.S Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA") inspection of Chevron 's Hilo Terminal facilities in Hilo, HI on March 8-10, 2016. Please be advised that Island Energy purchased the Hilo, HI terminal from Chevron on November 1, 2016 as part of the purchase of substantially all of Chevron's Hawaii downstream petroleum business assets by Island Energy and its affiliates, IES Downstream, LLC and IES Retail, LLC.

Chevron notified PHMSA that it was ceasing operatorship of the Hilo Terminal facilities under PHMSA Operator Identification Number (OPID) 2730 as of November 1, 2016 using the PHMSA Operator Registry Notification form. Island Energy also notified PHMSA that it was assuming operatorship the Hilo Terminal facilities under PHMSA Operator Identification Number (OPID) 39556 as of November 1, 2016 using the PHMSA Operator Registry Notification form.

Island Energy has reviewed the Order and PHMSA's allegations of Chevron's non-compliance with the Pipeline Safety Regulations, specifically a Proposed Compliance Order under 49 C.F.R. §§ 195.401 (properly established maximum operating pressure or "MOP") and a Warning under 195.583 (frequency of corrosion inspections) at Chevron's Hilo Terminal as identified in the PHMSA inspection of March 8-10, 2016. Chevron has not provided Island Energy with any information that would indicate Chevron complied with these regulations prior to the purchase of the Hilo Terminal on November 1, 2016. Therefore, Island Energy will schedule a 4-hour Subpart E hydrostatic test of the 8" piping to establish the MOP in compliance with the Pipeline Safety Regulations. Island Energy also confirms that atmospheric corrosion inspections shall be completed every 3 years, not to exceed

Letter to C. Hoidal, USDOT
Re: CPF 5-2016-6013 Notice of Probable Violation for Chevron
January 4, 2017
Page 2

39 months, in compliance with the Pipeline Safety Regulations.

If you have any questions about the Hilo Terminal facilities, please contact me at (808)527-2750.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Hepburn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark Hepburn
Logistics Manager

Cc: D. Johnson, USDOT (via e-mail donald.t.johnson@dot.gov)
F. Mohammed, Chevron (via e-mail Fiaz.Mohammed@chevron.com)

tjp

Letter to C. Hoidal, USDOT
Re: CPF 5-2016-6013 Notice of Probable Violation for Chevron
January 4, 2017
Page 3

bcc: J. Aweeka
M. Dexter
W. McElhannon
W. Rivera

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