

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 27, 2017

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

CPF 5-2017-0005W

Dear Ms. Moy:

On November 28 - December 2, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your synthetic natural gas (SNG) transmission pipeline system in the greater Honolulu area on the island of Oahu, Hawaii.

As a result of the inspection, it is alleged 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. §192.919 An operator must include each of the following elements in its written baseline assessment plan:

...

(b) The methods selected to assess the integrity of the line pipe, including an explanation of why the assessment method was selected to address the identified threats to each covered segment. The integrity assessment method an operator uses must be based on the threats identified to the covered segment. (See §192.917.) More than one method may be required to address all the threats to the covered pipeline segment;

Hawaii Gas did not follow its own written baseline assessment plan when it used pressure testing as an assessment method instead of guided wave, which was determined by Hawaii Gas' baseline assessment plan to be the integrity assessment method based on the threats identified to the covered segment at issue. Records provided by Hawaii Gas demonstrated that guided wave was the assessment method resulting from the baseline assessment completed on March 18, 2005 for the pipeline segment labeled 6-in Pier 38. However, Hawaii Gas confirmed that pressure tests were used as the actual assessment method for the pipeline segment labeled 6-in Pier 38 without the operator performing a baseline assessment resulting in pressure test as the assessment method.

Hawaii Gas provided no subsequent baseline assessment record for the pipeline segment labeled 6-in Pier 38 that resulted in a pressure test as the chosen assessment method. Hawaii Gas must either follow the conclusions of its baseline assessment plan under §192.919(b) or re-establish a new baseline assessment plan in accordance with §192.919. Hawaii Gas must meet the requirements of §192.921(a)(4) "Other technology" before using guided wave as a baseline assessment method.

**2. §192.805 Qualification program.
Each operator shall have and follow a written qualification program. The program shall include provisions to:**

....

(h) After December 16, 2004, provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities; and

Hawaii Gas did not provide records to demonstrate that they complied with its own operator qualification program in ensuring that individuals performing covered tasks were trained to have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities. Hawaii Gas provided qualification records on an armored sleeve repair. Mr. Jerry Giardano, a contractor for Hawaii Gas, performed a covered task on the repair. Hawaii Gas provided operator qualification records which indicated covered task qualification for Mr. Giardano by contractors IMC and Latigo, but no records were provided by Hawaii Gas for Abnormal Operating Conditions training for Mr. Giardano.

During the inspection, Hawaii Gas stated that contractors are generally not trained on Abnormal Operating Conditions in addition to covered tasks. This practice is inconsistent with the definition of “qualified” in Hawaii Gas’ Operator Qualification Program procedure D-291 and in violation of PHMSA’s regulations. Hawaii Gas must follow its own procedures in accordance with §192.805(h), and train all workers performing covered tasks on Abnormal Operating Conditions.

3. §191.23 Reporting safety-related conditions.

(a) Except as provided in paragraph (b) of this section, each operator shall report in accordance with §191.25 the existence of any of the following safety-related conditions involving facilities in service:

(1) In the case of a pipeline (other than an LNG facility) that operates at a hoop stress of 20 percent or more of its specified minimum yield strength, general corrosion that has reduced the wall thickness to less than that required for the maximum allowable operating pressure, and localized corrosion pitting to a degree where leakage might result.

...

(4) Any material defect or physical damage that impairs the serviceability of a pipeline that operates at a hoop stress of 20 percent or more of its specified minimum yield strength...

Hawaii Gas did not report a safety-related condition according to §191.23. After following up on an ILI run with an anomaly dig on June 2, 2014, Hawaii Gas discovered a piece of protruding rebar denting the pipeline in an area already afflicted by preexisting corrosion. The operator recorded this damage as an immediate repair condition (dent with metal loss) and repaired the damage with a full encirclement Type B sleeve on June 27, 2016. Upon later reflection and after the deadline had passed to report the condition to PHMSA, Hawaii Gas recognized that this incident should have been reported as a safety-related condition, but it still was not reported. However, Hawaii Gas did go through the exercise of filling out PHMSA form D-220-1 after the deadline. Hawaii Gas has successfully reported safety related conditions since this incident. Hawaii Gas must report safety-related conditions in accordance with §191.23.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violation occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 Hawaii Gas 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 5-2017-0005W**. 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 J. Owens (#154496, #154497)