

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 25, 2014

Mr. Eric Wright
Vice President, Logistics
Hawaii Independent Energy
800 Gessner Road, Suite 875
Houston, TX 77024

CPF 5-2014-6002W

Dear Mr. Wright:

During the weeks of November 18, 2013 and February 24, 2014, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 CFR United States Code, inspected the Hawaii Independent Energy (HIE) pipeline facilities on Oahu Island, Hawaii. Our representative also inspected operational and maintenance procedures and records at the HIE Offices in Honolulu and Kapolei, Hawaii.

As a result of the inspections, it appears that HIE has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, Part 195. The items inspected and the probable violations are:

1. **§195.402 Procedural manual for operations, maintenance, and emergencies**
 - (a) **General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline**

system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted

At the time of the inspection, HIE had not completed a review and update of the O&M Manuals for the HIE Pipeline that had been received from the previous owner/operator. Following the inspection, HIE indicated that they had subsequently completed a review and update of the O&M Manuals to meet their organizational requirements. HIE should have ensured that the O&M Manuals for the HIE Pipeline met their organizational needs immediately upon taking ownership of the pipeline. HIE must ensure that the O&M Manuals are reviewed at intervals not exceeding 15 months, at least once each calendar year, and update the manuals as necessary to ensure that they are effective.

2. §195.402 Procedural manual for operations, maintenance, and emergencies

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(12) Establishing and maintaining liaison with fire, police, and other appropriate public officials to learn the responsibility and resources of each government organization that may respond to a hazardous liquid or carbon dioxide pipeline emergency and acquaint the officials with the operator's ability in responding to a hazardous liquid or carbon dioxide pipeline emergency and means of communication.

Based on discussions with HIE personnel during the inspection and a review of the associated records, it appears that the process that the previous operator, and now HIE, utilizes to establish and maintain liaison with fire, police, and other appropriate public officials is inadequate. HIE subsequently indicated that it is working to improve the liaison process. HIE must ensure that the process is substantially improved so it provides the following: 1) establish and maintain liaison with fire, police, and other appropriate public officials, 2) learn the responsibility and resources of each government organization that may respond to a hazardous liquid pipeline emergency, and 3) acquaint the officials with the operator's ability in responding to a hazardous liquid pipeline emergency and means of communication. In addition, HIE must ensure complete records are kept to fully document all liaison activity described above.

3. §195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors—the swiftness of leak detection and pipeline shutdown

capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

HIE did not receive an EFRD Analysis from the previous owner/operator of the pipeline and, at the time of inspection, had not conducted their own EFRD analysis for the HIE Pipeline. HIE must conduct an EFRD analysis for the HIE Pipeline. HIE must install the EFRD(s) if it is determined that an EFRD(s) is (are) needed to protect a high consequence area(s) in the event of a hazardous liquid pipeline release. HIE must consider the following factors when conducting the EFRD Analysis: the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, the proximity to power sources, the location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

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 violation. 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 HIE 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 5-2014-6002W**. 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 M. Petronis (#146621)