

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 15, 2016

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

CPF 5-2016-0025M

Dear Ms. Moy:

On October 20-24, 2014 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' Operations and Maintenance Procedures Manual and Integrity Management Program Procedures that cover its 22.6 mile synthetic natural gas (SNG) transmission pipeline system on the island of Oahu, Hawaii.

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

1. **§192.907 What must an operator do to implement this subpart?**
 - (a) **General.** No later than December 17, 2004, an operator of a covered pipeline segment must develop and follow a written integrity management program that contains all the elements described in § 192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.

Hawaii Gas did not have a detailed and comprehensive written integrity management (IM) program. Specifically, Hawaii Gas' written IM procedures, IM-007 titled "Preventive and Mitigative Measures," did not adequately describe the method for selection and implementation of additional preventive and mitigative measures (P&MM). A review of Hawaii Gas' Risk Assessment and P&MM Evaluation Report, dated February 10, 2014, showed P&MM results categories of "mandatory," "desired," and "optional." It was unclear how additional measures would be implemented or scheduled based on these result categories. Further, while the IM procedures referenced use of an "action plan" and "completion report" to document the decision-making process, the Risk Assessment and P&MM Evaluation Report referenced use of a "P&MM tracking form." None of these documents were provided during the inspection. Hawaii Gas must amend its procedures to clarify and reflect its process for selection and implementation of additional preventive and mitigative measures.

Hawaii Gas also did not have a detailed and comprehensive written IM program that reflects its current IM implementation processes. For example, Hawaii Gas' IM procedure, IM-002 titled "Data Integration" stated "Hawaii Gas SMEs [Subject Matter Experts] obtain data for Data Integration from both internal and external sources. The majority of the data has been reviewed by SME's and inputted into an Excel spreadsheet/database. The database is used to capture and maintain data and to serve as a centralized database for Data Integration, Risk Assessment and Preventive and Mitigative Measures." During the inspection, Hawaii Gas failed to provide evidence of a centralized Excel database to demonstrate that one was created and maintained for its IM program. IM-003 titled "Risk Assessment" provides another example where Hawaii Gas' written IM program did not reflect its actual, current IM implementation processes. This procedure revealed use of a combination of SMEs and relative risk assessment models in its risk assessment process. IM-003 stated "The Risk Algorithm is contained in the same Excel spreadsheet that is used for Data Integration. The model uses weighting factors that SME's have assigned based on data in the database." However, Hawaii Gas failed to provide evidence that demonstrated a risk assessment model was implemented during its risk assessment process. Hawaii Gas must amend its procedures to clarify and reflect its current IM implementation processes, specifically methods for data integration and risk assessment.

- 2. §192.605 Procedural manual for operations, maintenance, and emergencies**
Each operator shall include the following in its operating and maintenance plan:
...(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

Hawaii Gas' written operations and maintenance (O&M) procedures manual did not include the retention period for odorizing program documentation in accordance with §192.709(c). For example, Hawaii Gas' O&M procedure, D-960 Odorizing Program, Section VIII stated, "The results of the odorometer tests (sniff test) performed by the Customer Service Department are filed with the Compliance Engineer for a period of three (3) years." Federal Regulation §192.709(c) requires "A record of each patrol, survey, inspection, and test required by Subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer." Hawaii Gas must amend its procedures to specify the five (5) year retention period required by §192.709(c).

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 30 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 5-2016-0025M** 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

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

cc: PHP-60 Compliance Registry
PHP-500 C. Ishikawa (#147745)