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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 16, 2016

Mr. Chris Hoidal
Director, Western Region
Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
12300 West Dakota Avenue, Suite 110
Lakewood, CO 80228

Reference: CPF 5-2016-0026 (Notice of Probable Violation)

Dear Mr. Hoidal:

This letter is in response to the above-referenced Notice of Probable Violation (NOPV) dated November 16, 2016. Hawaii Gas believes that it has met the minimum regulatory requirements outlined in the NOPV except as noted below. In those areas where deficiencies exist, we are committed to implementing appropriate changes to assure that our operations, procedures and records meet the intent of the regulations.

A summary of the NOPV items, corresponding records, and appropriate changes (if applicable) addressing these issues are described below:

1. **49 CFR §192.491 – Corrosion Control Records**

Regarding records retention for corrosion control, Hawaii Gas is submitting documentation, which confirms that adequate corrosion control measures are in place. Hawaii Gas has been maintaining records of each test, survey, and/or inspection required under 49 CFR §192.941.

Attachment I is a copy of a Cathodic Protection test record that was performed in 2013 and 2014 on HG's transmission pipeline system in accordance with 49 CFR §192.465. HG's Cathodic Protection records are retained as required by 49 CFR §192.491. The archive Cathodic Protection test records were available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment I – Cathodic Protection Survey Sheet**

In reference to the alleged violation of 49 CFR §192.475(a), HG does not transport corrosive gas through its pipelines. Attachment II is a copy of the MSDS for Synthetic Natural Gas (SNG) and a copy of the most recent SNG analysis reports (2014-2016) that demonstrates SNG is not a corrosive gas within the meaning of this regulation. These records were available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment II – MSDS for SNG & SNG Analysis Report**

2. 49 CFR §192.603 – Maximum Allowable Operating Pressure (MAOP) Records
Regarding records retention for MAOP, Hawaii Gas is submitting historical records that validate current MAOP designations (500 PSIG). Attachment III is a copy of the MAOP records at the time of construction in 1974. These records establish that HG is in compliance with 49 CFR §192.603 at the time of the 2014 inspection. These records were available, but may not have been provided to the inspector at the time of the 2014 inspection.
 - **Attachment III – Hawaii Gas MAOP Historical Records**
3. 49 CFR §192.605 – Procedural Manual for Operations, Maintenance, and Emergencies
Hawaii Gas lacks documentation to establish that it followed its O&M manual for conducting activities related to its odorizing program. Hawaii Gas has since amended its standard D-960 “Odorizing Program” to ensure processes exist to document and confirm the frequency for sampling gas is met at least four (4) times a year and its form D-960-1 “Odorant Test Log” to assure calibration of its odorant testing equipment is conducted on an annual basis. Additionally, in accordance with PHMSA’s Proposed Compliance Order, Hawaii Gas is submitting an odorant test conducted after receipt of the NOPV.
 - **Attachment IV – Hawaii Gas Standard D-960 “Odorizing Program”**
 - **Attachment V – Hawaii Gas Form D-960-1 “Odorant Test Log”**
 - **Attachment VI – Odorant Test Log - 12/14/2016**

Hawaii Gas believes that the attachments IV, V, and VI satisfies the requirements for this item and complies with 49 CFR §192.605.
4. 49 CFR §192.706 – Transmission Line Leak Surveys
Hawaii Gas acknowledges that it lacks documentation to establish that it followed its O&M manual for conducting activities related to its transmission leak survey program in 2013. Hawaii Gas has since started to implement an internal compliance tracking system to assure the frequency of transmission leak surveys are met and appropriately documented in accordance with 49 CFR §192.706.
5. 49 CFR §192.709 – Transmission Line Records
Regarding records retention for transmission line repairs, Hawaii Gas documents and maintains repair records but acknowledges the description of repairs may lack sufficient detail. Hawaii Gas has amended form D-931-1B “District Regulator Station Report” to improve documentation of the details of each discrepancy and the repair performed on its transmission line regulator stations; See e.g., Attachment VII. Additional training on documentation has also been provided to our technicians who perform and record the work.
 - **Attachment VII – Hawaii Gas Form D-931-1B “District Regulator Station Report”**
6. 49 CFR §192.739 – Inspection and Testing of Pressure Limiting & Regulating Stations
Hawaii Gas (HG) confirmed the Regulator Inspection records for Malakole Regulator Station on April 7, 2014, as cited in the Notice of Probable Violation. HG performs an annual “lock-up” test on each of the regulators to ensure that the regulator valve properly seats to stop gas flow. The lock-up pressure for a regulator is typically higher than the set-point pressure of a regulator, and can vary with gas flow rate at the time of the test as well as the speed at which the downstream valve is closed to accomplish the test. Furthermore, the distance between the regulator and the

valve is only a few feet so the pressure can build up quickly in that short span. Upon closing the downstream valve, the regulator will sense the change in flow and “lock-up”; closing the valve to stop gas flow. At that time, a HG technician confirms that the valve has successfully closed by watching the pressure on a gauge between the regulator and the downstream valve. When the pressure downstream of the regulator stabilizes, the technician confirms that the “lock-up” pressure is lower than the inlet pressure; demonstrating that the valve in the regulator is effectively operational and holding a pressure differential. If the pressure downstream of the regulator creeps up to become equal to the inlet pressure, the technician knows the valve has failed to “lock-up” and requires repair or replacement.

For both the “lock-up” test of the first and second stage regulators performed on the Malakole Regulator Station on April 7, 2014, the technician confirmed that the lock-up pressure was below the inlet pressure for the regulator; demonstrating that the valve in the regulator provided a positive seal, and confirmed proper operation. The “lock-up” test is not intended to test for overpressure protection. The test performed for overpressure protection involves simulating failure of each regulator and confirming that the stand-by monitor regulator activates to maintain system pressures within MAOP, thus protecting downstream facilities from excessive pressures.

Hawaii Gas does not agree that this inspection procedure and record reflects a violation of 49 CFR §192.739 and requests that this alleged violation be dismissed together with the proposed penalty of \$14,800.

7. **49 CFR §192.805 – Operator Qualification**

Hawaii Gas acknowledges that it lacks documentation to establish Operator Qualification records for individuals performing odorant tests from 2011 to 2014. All individuals performing odorant tests have been retrained in 2015 for Operator Qualification for the covered task.

Regarding Operator Qualification records for the four individuals identified as having performed transmission line patrolling from 2012 to 2014, Hawaii Gas is submitting records that demonstrate compliance for this covered task. Attachment VIII is a copy of our 2010 Operator Qualification records for Mod 271 “Leak Surveys and Patrols” for the four individuals identified. These records show that HG was in compliance with 49 CFR §192.805 at the time of the 2014 inspection. These records were available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment VIII – 2010 Operator Qualification Records Mod 271 “Leak Surveys and Patrols”**

Additionally, Hawaii Gas has reviewed its Operator Qualifications standard and training records to ensure only qualified individuals will be performing covered tasks on its pipeline system. Hawaii Gas asks that you consider a reduction in the proposed penalty of \$16,900.

8. **49 CFR §192.907 – Integrity Management Program Implementation**

Hawaii Gas acknowledges that an IMP Organizational Chart has not been created in accordance with IMP Manual Section 6.2.3. After reviewing this section, Hawaii Gas has determined that an IMP Organizational Chart provides little value and has removed this requirement from its IMP manual.

Regarding records that demonstrate Hawaii Gas performed program evaluations for its Integrity Management Program (IMP), Hawaii Gas is submitting annual reviews from 2013 to 2014. Attachments IX, X, & XI are copies of our 2013 IMP annual review records, 2014 IMP annual review records, and 2013 third party IMP audit records (respectively). These records show that HG performed the required IMP annual reviews in accordance with 49 CFR §192.907 and its IMP manual at the time of the 2014 inspection. These records were available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment IX – 2013 IMP Annual Review Records**
- **Attachment X – 2014 IMP Annual Review Records**
- **Attachment XI – 2013 Third Party IMP Audit (Kendrick Consulting)**

9. 49 CFR §192.917 – Interactive Threat Identification

Hawaii Gas acknowledges that it did not consider interactive threats during its Risk Assessment and P&MM Evaluation Report. Hawaii Gas has since updated its Risk Assessment and P&MM Evaluation Report to include consideration of interactive threats to comply with 49 CFR §192.917.

10. 49 CFR §192.935 – Preventive & Mitigative Measures

Regarding records that demonstrate Hawaii Gas has taken additional preventive and mitigative measures (P&MM) beyond those already required by 49 CFR §192, Hawaii Gas is submitting records which outline P&MMs performed by Hawaii Gas. Attachments XII, XIII, & XIV are copies of our IMP Standard IM-007 “Preventive and Mitigative Measures”, 2012 Risk Assessment and P&MM Evaluation Report, and 2013 Risk Assessment and P&MM Evaluation Report (respectively). These records show that HG took P&MMs beyond those required by Part 192 and was in compliance with 49 CFR §192.935 at the time of the 2014 inspection. These records were available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment XII – IM-007 “Preventive and Mitigative Measures”**
- **Attachment XIII – 2012 Risk Assessment and P&MM Evaluation Reports**
- **Attachment XIV - 2013 Risk Assessment and P&MM Evaluation Reports**
- **Attachment XV – P&MM Tracking Form**

Additionally, Hawaii Gas has since created a P&MM tracking form to better manage the status of each new P&MM. Hawaii Gas believes that it is in compliance with 49 CFR §192.935 and requests PHMSA reconsider its position that an alleged violation of law occurred.

11. 49 CFR §192.945 – Integrity Management Program Effectiveness

Regarding records that demonstrate Hawaii Gas has measured its Integrity Management Program’s (IMP) effectiveness, Hawaii gas is submitting documents which analyze integrity and threat trends on a year to year basis. Attachment XVI is a copy of our Transmission Line Performance Measures Worksheet. This record shows that HG has tracked and trended performance measures since 2007 and was in compliance with 49 CFR §192.945 at the time of the 2014 inspection. This record was available, but may not have been provided to the inspector at the time of the 2014 inspection.

- **Attachment XVI – Transmission Line Performance Measures**

Hawaii Gas believes that the attached documentation resolves items 1, 2, 5, 6, parts of 7, 8, 10, and 11 cited in the Notice of Probable Violation, and requests PHMSA's reconsideration of its position under the NOPV. Hawaii Gas is committed to operating a safe and reliable pipeline system, protecting the public and environment from any potential product release.

Should there be any questions regarding the information provided, please contact Ed Sawa, Manager, Pipeline Operations, by phone at (808) 594-5661, or by email at esawa@hawaiigas.com.

Sincerely,



Mustafa Demirbag
Executive Director of Operations

Enclosures:

- Attachment I – Cathodic Protection Survey Sheet
- Attachment II – MSDS for SNG & SNG Analysis Report
- Attachment III – Hawaii Gas Historical MAOP Records
- Attachment IV – Hawaii Gas Standard D-960 "Odorizing Program"
- Attachment V – Hawaii Gas Form D-960-1 "Odorant Test Log"
- Attachment VI – Odorant Test Log - 12/14/2016
- Attachment VII – Hawaii Gas Form D-931-1B "District Regulator Station Report"
- Attachment VIII – 2010 Operator Qualifications Records Mod 271 "Leak Surveys and Patrols"
- Attachment IX – 2013 Annual IMP Review Records
- Attachment X – 2014 Annual IMP Review Records
- Attachment XI – 2013 IMP Third Party Audit (Kendrick Consulting)
- Attachment XII – IM-007 "Preventive and Mitigative Measures"
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- Attachment XVI – Transmission Line Performance Measures