



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue SE
Washington, DC 20590

JUN 02 2017

Mr. Jon Mauer
President and CEO
Island Energy Services, LLC
91-480 Malakole Street
Kapolei, HI 96707

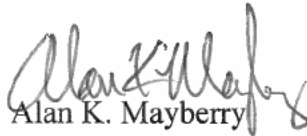
Re: CPF No. 5-2016-6013

Dear Mr. Mauer:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation and specifies actions that need to be taken by Island Energy Services, LLC to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Western Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,


Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Director, Western Region, Office of Pipeline Safety, PHMSA
Mr. Mark Hepburn, Logistics Manager, Island Energy Services, LLC
Mr. John Watson, Chairman and CEO, Chevron Products Company, 6001 Bollinger
Canyon Road, San Ramon, CA 94583
Mr. Fiaz Mohammed, Area Operations Manager, Southwest, Chevron Products
Company, 145 S State College Blvd., Suite 500, Brea, CA 92821

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

² Chevron also responded to the Notice, by letter dated January 10, 2017, confirming that Island Energy had purchased the Hilo Terminal facilities and other assets as of November 1, 2016.

49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.401(a), which states:

§ 195.401 General requirements.

(a) No operator may operate or maintain its pipeline systems at a level of safety lower than that required by this subpart and the procedures it is required to establish under § 195.402(a) of this subpart.

The Notice alleged that Respondent violated 49 C.F.R. § 195.401(a) by operating and maintaining its pipeline systems at a level of safety lower than that required by Subpart F of 49 C.F.R. 195. Part 195 requires that an operator establish the maximum operating pressure (MOP) for each of its pipelines. The criteria required for determining MOP are found at 49 C.F.R. § 195.406(a). Operators must consider the requirements of either §§ 195.406(a)(3) or (5). Section 195.406(a)(3) states that “. . . no operator may operate a pipeline at a pressure that exceeds . . . [e]ighty percent of the test pressure for any part of the pipeline which has been pressure tested under subpart E of this part.” Section 195.406(a)(5) states that “[f]or pipelines . . . that have not been pressure tested under subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.”

Specifically, the Notice alleged that Island Energy did not properly establish the MOP for the 8-inch-diameter CUSA/HELCO pipeline within the Hilo Terminal. The CUSA/HELCO pipeline is an intrastate steel pipeline constructed in 1983. As such, the pipeline may be operated without a Subpart E pressure test if its MOP is established under § 195.406(a)(5).³ In addition, Island Energy's MOP determination did not consider § 195.406(a)(3) requirements, i.e. 80 percent of a Subpart E pressure test. Although Island Energy's MOP determination was required to consider either § 195.406(a)(5) or § 195.406(a)(3) requirements, neither was considered. Therefore, without a properly established MOP, the CUSA/HELCO pipeline was operating at a level of safety lower than that required by Part 195, Subpart F.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.401(a) by operating and maintaining its pipeline systems at a level of safety lower than that required by Subpart F of 49 C.F.R. 195.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

³ 49 C.F.R. § 195.302(b)(1) states, “[e]xcept for pipelines converted under § 195.5, the following pipelines may be operated without pressure testing under this subpart: . . . (iii) An intrastate pipeline constructed before October 21, 1985. . . .”

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 1 in the Notice for violation of 49 C.F.R. § 195.401(a). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.401(a) (**Item 1**), Respondent must establish the maximum operating pressure of the CUSA/HELCO pipeline within the Hilo Terminal pursuant to §§ 195.406(a)(3) or (5) and submit the maximum operating pressure determination to the Director, Western Region, OPS.
2. Respondent must submit to the Director, Western Region, OPS, within 30 days following receipt of the Final Order, a plan and schedule to comply with Item 1 above.
3. Respondent must complete Compliance Order Item 1 within 180 days following receipt of the Final Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

In addition, pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is requested (not mandated) to take the following action:

Island Energy should maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses; and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

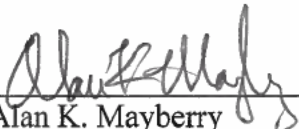
WARNING ITEM

With respect to Item 2, the Notice alleged a probable violation of Part 195 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 195.583(a) **(Item 2)** — Respondent's alleged failure to inspect each onshore pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every 3 calendar years, but with intervals not exceeding 39 months.

Island Energy presented information in its Response showing that it plans to take certain actions to address the cited item. If OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.243, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.



Alan K. Mayberry
Associate Administrator
for Pipeline Safety

JUN 02 2017

Date Issued