Jon Mauer
President & CEO

IES Downstream, LLC
91-480 Malakole Street
Kapolei HI 96707-1807
Tel 808 682 5711
Fax 808 682 2214
jonmauer@islandenergyservices.com

Sent via Electronic Mail to:
dustin.hubbard@dot.gov

May 26, 2022

Mr. Dustin Hubbard
Director Western Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

Re: Response to PHMSA Notice No. CPF 5-2022-023-NOPV

Dear Mr. Hubbard,

IES Downstream ("IES"), received a Notice of Probable Violation and Proposed Compliance Order: CPF 5-2022-023-NOPV, dated April 27, 2022. In November of 2021 an inspection was conducted by a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), the notice addressed six probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR) Part 195, listed as Items 1 through 6 in the Notice.

IES is respectfully requesting a follow up meeting with the Regional Director to further discuss the Compliance Order in regard to our explanations outlined below.

Compliance Order

Item 1 - § 195.205
PHSMA as a result of its site visit and audit reported that IES failed to repair the roof of Tank 12 in accordance with API Std 653, as required by § 195.205(b)(1). Tank 12 is an atmospheric pressure breakout tank built to API Std 12C.

In response to Item 1, IES provides the following explanation:

Hilo Tank 12 had an API External Inspection on December 21, 2017 at which point no holes or corrosion were observed on the fixed roof deck. Additionally, the ultrasonic thickness readings of the roof deck plates were taken within the boundaries of the guardrails, which is the primary walking surface for personnel; the readings recorded did not reveal any indication of internal corrosion. The lowest remaining wall thickness recorded was 0.170".

On May 10, 2022 IES conducted a non-destructive examination of the tank roof surface by performing ultrasonic (UT) scans around the holes that were patched with epoxy to determine the remaining

thickness surrounding each hole and recorded lowest remaining thickness readings. All metal thickness measured was above the minimum of 0.090" required by API Std 653. Additionally, UT scans were performed in other areas across the walking surface where the external coating had failed in a similar fashion as the holes found. The lowest readings were recorded, and none revealed metal thinner than 0.144". Inspection results and pictures are provided in this correspondence email as Attachment 1.

IES inspector Bran E. Luna (API 653 Cert. 33623) and IES Lead Engineer Aaron Morris have evaluated the holes on the roof and concluded that based on the size, location, and proximity (relative to other holes) of the holes, the condition does not compromise the integrity of the roof deck for the purposes of personnel accessing and walking (or pose a structural integrity issue) and the area over the holes is capable of withstanding any anticipated external loads.

In accordance with *API RP 575 section 9.3 Special Repair Methods*, "Leaks in roofs can be repaired by soft patches that do not involve cutting, welding, riveting, or bolting of the steel. Soft patches can be made from a variety of materials, including rubber, neoprene, glass cloth, asphalt, and mastic or epoxy sealing materials." API Std 653 references API Std 2610, which references API RP 575. Additionally, API RP 575 states "This recommended practice is intended to supplement API Std 653, which provides minimum requirements for maintaining the integrity of storage tanks after they have been placed in service."

IES is requesting a meeting with the Regional Director for clarification of this issue as IES is certain that the holes do not pose an issue with anticipated external loads and the corrective measures provided in the compliance order.

Warning Items

In response to the warning items, IES has since taken appropriate action to cure the deficiencies, please find the items addressed below. IES is committed to operating a safe pipeline system and has dedicated significant resources to manage the integrity our pipelines and terminals in a manner that minimizes the risks to people, property, and the environment.

Item 2 - § 195.575
IES conducted a comprehensive survey that included integrating ILI data, GPS field-collected data, and CP survey data to determine the location of all casings (penetration sleeves).

IES has revised the relevant O&M procedure, P-195.575 Electrical Isolation, to include the updated list of all casings which shall be used during every CP survey inspection. Additionally, IES has implemented a preventive maintenance work order for annual CP survey in the company's asset management software MAXIMO.

Item 3 - § 195.579
IES does not have full records from the previous owner but has sufficient evidence to believe there is an internal liner or coating system in Tank 12.

IES has revised relevant O&M procedure, P-195.579 Internal Corrosion, to ensure that when a tank bottom lining in an aboveground breakout tank is installed, it must be installed in accordance with API RP 652.

Item 4 - § 195.581
IES has revised their procedure P-195.581_557_559 Coating Selection and Application, to ensure that each pipeline or portion of pipeline that is exposed to the atmosphere is cleaned and coated, and that coating material is suitable for the prevention of atmospheric corrosion.

Item 5 - § 195.583
IES performed a comprehensive survey that included field walk-downs and GPS survey to determine exact start and stop locations of each above ground exposed pipeline segments; the information collected and verified through this process has been incorporated into the relevant O&M procedure P-195.583 Visually Inspect for Atmospheric Corrosion, to include all atmospheric exposure locations.

IES has ensured that preventative maintenance work order every three years for an atmospheric inspection is managed in MAXIMO.

Item 6 - § 195.589
The Hilo facility piping has been added to the list of above ground exposed locations and updated in the relevant procedure P-195.583 Visually Inspect for Atmospheric Corrosion.

IES has ensured that preventative maintenance work order every three years for an atmospheric inspection is managed in MAXIMO.

IES understands that improvements and enhancements are integral to the success of our pipeline safety programs. Should you have any questions please contact Teja Arika, Pipeline Lead, at TArika@islandenergyservices.com. Teja will be contacting you in the next several weeks to schedule a meeting to further discuss the Compliance Order.

Sincerely,

Attachment: NDE Inspection Results

cc: Gano, Jake (PHMSA) jacob.gano@dot.gov
Reese, LaToya (PHMSA) latoya.reese.ctr@dot.gov
Dangler, Mark (IES) MDangler@islandenergyservices.com
Teja, Arika (IES) TArika@islandenergyservices.com