

The Facts about Kinder Morgan

Coal shipper has a track record of pollution, lawbreaking, and cover-ups

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Energy giant Kinder Morgan is planning to export millions of tons of coal to Asia from an Oregon port on the Columbia River. Many community members are deeply concerned about the pollution, noise, and economic risk entailed by the plans. Yet the company seems unconcerned.

"It's just a location."¹ That's what a Kinder Morgan spokesperson told the *Portland Business Journal*.

In public, Kinder Morgan likes to point out that the firm already operates coal export facilities in Virginia, South Carolina, and Louisiana. Or as the company's spokesperson said in the same interview, "What we're proposing is not something we don't already do."

And that's exactly the problem.

The truth is that Kinder Morgan's existing coal export operations are well known for blighting neighborhoods and fouling rivers. In fact, the company's track record in the Northwest and beyond is one of pollution, law-breaking, and cover-ups.

- In Louisiana, Kinder Morgan's coal export facilities are so dirty that satellite photos clearly show coal dust pollution spewing into the Mississippi River.
- In South Carolina, coal dust from Kinder Morgan's terminal contaminates oysters, pilings, and boats. Locals have even caught the company on video washing coal directly into sensitive waterways.
- In Virginia, Kinder Morgan's coal export terminal is an open sore on the neighborhood, coating nearby homes in dust so frequently that even the mayor is speaking out about the problem.
- In Portland, Kinder Morgan officials bribed a ship captain to illegally dump contaminated material at sea, and their operations have repeatedly polluted the Willamette River.
- Kinder Morgan has been fined by the US government for stealing coal from customer's stockpiles, lying to air pollution regulators, illegally mixing hazardous waste into gasoline, and many other crimes.
- Kinder Morgan's pipelines are plagued by leaks and explosions, including two large dangerous spills in residential neighborhoods in British Columbia.

In "The Facts about Kinder Morgan," Sightline Institute explores the company's misbehavior so that Northwest residents can decide for themselves whether Kinder Morgan's coal export plans have a place in the region.

What is Kinder Morgan?

Headquartered in Houston, Texas, Kinder Morgan is an energy transport company that describes itself as operating “like a giant toll road” for energy products. Kinder Morgan was formed in 1997 when a pair of former high-level Enron executives, Richard Kinder and William Morgan, bought pipelines and other assets from Enron.

The firm’s core business is moving fossil fuels such as coal, oil, and natural gas from mines and wellheads to utilities, refineries, and manufacturers. Through partnerships and acquisitions, Kinder Morgan has grown into one of the largest pipeline and bulk port operators in the country. It consists of three major arms: Kinder Morgan, Inc., the parent company; Kinder Morgan Energy Partners, L.P., the owner and operator of almost all the assets; and Kinder Morgan Management. Combined, these firms are worth about \$65 billion. Kinder Morgan also encompasses a labyrinthine array of subsidiary and partner companies.²

Kinder Morgan aims to dramatically expand its pipeline operations. The company’s biggest recent play is a \$21.1 billion acquisition of the El Paso Corporation that the *New York Times* reports will make Kinder Morgan the nation’s biggest empire of oil and gas pipelines.³ Although the firm must undergo months of antitrust scrutiny, if the deal goes through, it will leave Kinder Morgan with 80,000 miles of pipelines in 35 states.⁴

In the Northwest, Kinder Morgan is planning to double the capacity of its Trans Mountain pipeline that connects the Alberta oil sands to Vancouver, British Columbia, as well as to Washington refineries at Cherry Point and Anacortes.⁵ The company also maintains the Pacific Pipeline that connects Portland to Eugene, as well as portions of four port terminals: the Vancouver Wharves in British Columbia; Portland Bulk Terminal #4 in Oregon; and the Longview and Vancouver Terminals in Washington.⁶

Primarily known for its extensive network of oil and gas pipelines, Kinder Morgan is now expanding its coal transport and handling business.⁷ In 2010, the firm handled approximately 31.6 million metric tons (mmt) of coal in the United States.⁸

Yet because demand for coal is declining in the United States, Kinder Morgan is looking to expand coal exports. In fact, the company nearly doubled the amount of coal it exported in 2011, and company analysts project an additional 6 mmt increase of coal exports in 2012. At present, Kinder Morgan’s main coal export growth opportunities appear to be at their Gulf Coast, Mississippi River, and East Coast terminals, but these are less than ideal for serving Asian markets.⁹ To better meet demand for coal in Asia, Kinder Morgan is pursuing plans for a West Coast coal export terminal.

Kinder Morgan to bring coal to the Northwest

Kinder Morgan is proposing to build and operate a coal export terminal in Oregon at the Port Westward Industrial Park. The site is located on the Columbia River about 60 miles northwest of Portland near the small town of Clatskanie. Once billed as a “hotbed for renewable energy development,” Port Westward is owned by the Port of St. Helens, a public entity.¹⁰

On January 25, 2012, port commissioners approved Kinder Morgan’s proposal. According to the *Oregonian*, Kinder Morgan’s terminal could ultimately handle 30 mmt of coal per year, with 15 mmt in an initial phase of development. The terminal would receive coal originating in the Powder River Basin in southeast Montana and northeast Wyoming

that would travel in trains running through the Columbia Gorge. Port operators would unload the coal into stockpiles and then subsequently load it onto ocean-going vessels bound for Asia. Kinder Morgan estimates that the project would cost \$150 million to \$200 million and would employ as many as 80 fulltime workers.¹¹

A separate coal export proposal at Port Westward, by Australian coal company Ambre Energy, would ship an additional 3.5 mmt of coal with an expansion potential of up to 8 mmt.¹²

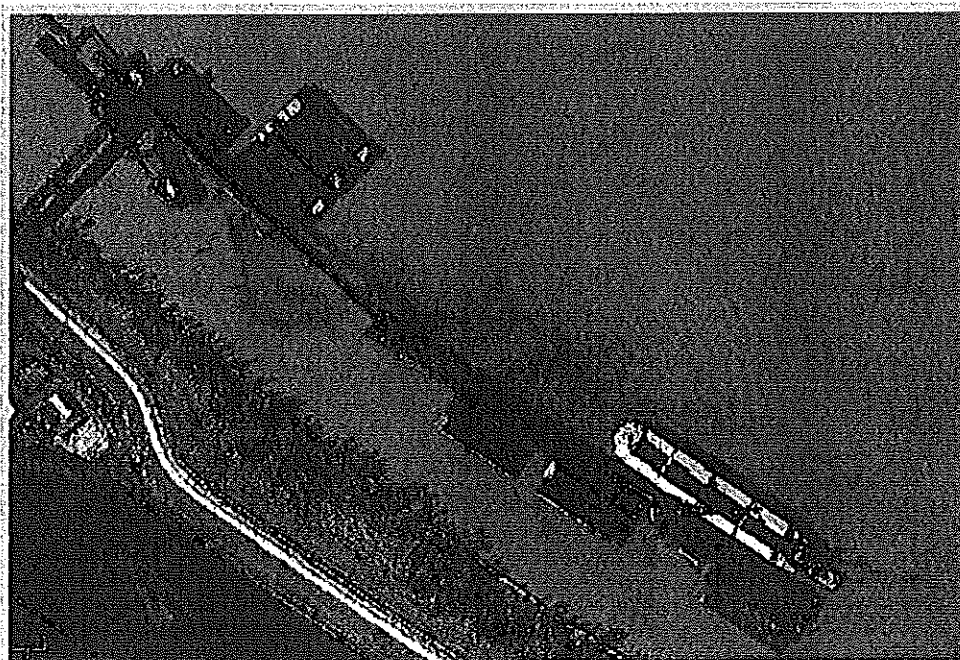
Kinder Morgan claims that its coal handling operations at Port Westward will, “minimize or eliminate environmental impact to air, land and water” and “will be conducted under a strict Environmental, Health and Safety (EHS) program.”¹³

Yet even a cursory examination of Kinder Morgan’s operations raises serious questions about the company’s commitment to health, safety, and environmental protection. The company’s petroleum coke operations in Houston, Texas, for example, are so dirty that even the firm’s promotional literature shows plumes of black dust blowing off its railcar loading equipment.¹⁴ It’s the same story for coal. Many of Kinder Morgan’s coal-handling sites are rife with pollution, lax oversight, and deception.

River pollution in Myrtle Grove, Louisiana

Kinder Morgan’s International Marine Terminal (IMT), about 45 miles southeast of New Orleans on the Mississippi River, is a key part of Kinder Morgan’s coal export strategy.¹⁵ In 2010, Kinder Morgan shipped about 10 mmt through IMT, and the firm has signed an agreement to export up to an additional 6 mmt of coal per year.¹⁶

Publicly-available satellite imagery of Kinder Morgan’s port site shows plumes of what appears to be coal dust, or possibly petroleum coke, contaminating the Mississippi River at several points in and around the ship-loading facilities.¹⁷



Coal dust pollutes the Mississippi River at Kinder Morgan's coal export terminal in Myrtle Grove, Louisiana.

Coal dust problems for Charleston

Kinder Morgan's Shipyard River Terminal covers 60 acres in Charleston, South Carolina.¹⁸ Although the terminal handles only about 3 million tons of coal per year, the site plagues surrounding communities with numerous well-documented incidents of escaping coal dust.¹⁹

A typical account from Charleston's *Post and Courier* newspaper reads:

As nearby residents and city officials hack about gritty air and clogged roads, Kinder Morgan says it is just filling a need... Residents say that coal dust from the facility already is polluting the air in nearby neighborhoods and at the Cooper River Marina.²⁰

Residents are particularly concerned about pollution on the Cooper River, which flows into the Atlantic Ocean near Kinder Morgan's coal terminal. Again, according to the *Post and Courier*:

...sailboat owners say that one side of their masts are white and [the] other side dirty gray. The cleaner half faces north, toward the old Navy base. The dirtier side faces south, toward the Kinder Morgan Energy Partners' shipping terminal...

"[Coal dust] is so excessive that it grinds into the top layer of the fiberglass," said George Heinemann, a Summerville resident who keeps his boat in the marina. "The docks are filthy. Even if your boat is clean and your shoe is wet when you step on the boat, you can see a shoe imprint."²¹

A local marine mechanic, Ken Bonerigo, has documented Kinder Morgan's violations in detail. According to the *Charleston City Paper*:

Bonerigo's videos... clearly show coal spilling into the water and plumes of dust escaping into the air as the piles are transferred from ship to shore. In perhaps the most shocking footage, the video "Midnight Clean Up" shows a crane scooping up water and sloshing it onto the dock to wash the coal debris into the water rather than sweeping it up.²²

And:

Under Kinder Morgan's watch, violations of the Pollution Control Act and Water Classifications and Standards have persisted, covering everything from spillage of petroleum coke into the water to fugitive emissions from ships. A 2001 investigation uncovered seven violations, resulting in total fines of just \$32,400... Despite subsequent agreements to improve facilities, 2005 investigations found the company responsible for airborne particulate matter settling on neighboring properties...²³

Bonerigo's videos depict coal dust on boats, oysters, pilings, and in the water.²⁴



Problems persist. In 2008, for example, South Carolina regulators fined Kinder Morgan \$19,000 for failing to contain coal dust at its facilities, and the state ordered the firm to upgrade its operations.²⁵

Until recently, Kinder Morgan used the Shipyard River Terminal to import coal, but with new export potential and rail shipping agreements, the company is slating the terminal for expansion, raising serious concerns for area residents.²⁶

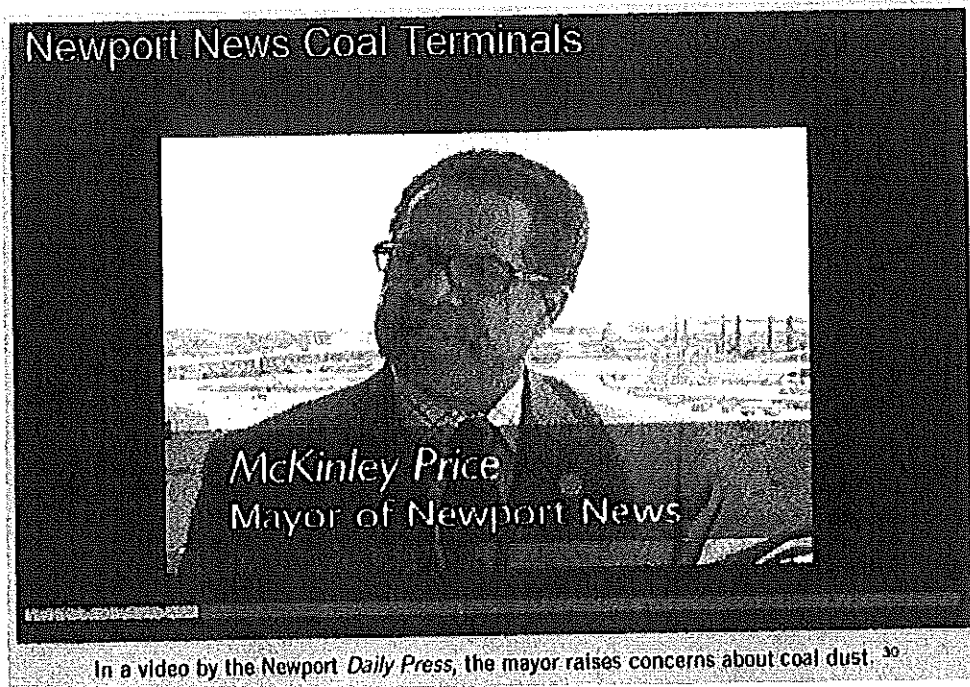
Coal dust problems for Newport News

One of Kinder Morgan's largest coal export facilities is Pier IX, in Newport News, Virginia. Pier IX has the capacity to ship 12 mmt of coal per year and store 1.3 mmt on site. Located on the James River, it can accommodate capesize vessels.²⁷ (A second coal terminal in Newport News is operated by Dominion Terminal Associates.)

Despite costly upgrades and 44 sprinklers on Kinder Morgan's site, the community is routinely blanketed in coal dust. The *Daily Press* newspaper reported:

[Mayor] Price said not only are the piles unsightly, but the coal dust blown from the piles has for decades caused problems in the Southeast Community. Wind picks up the dust in the piles off of Terminal Avenue... coating neighborhoods in the Southeast Community...²⁸

In fact, the *Daily Press* reported that Mayor McKinley Price, who lives about a mile from the coal piers, has complained that coal dust coats his house and outdoor furniture.²⁹



Coal dust problems in Newport News may even include serious health consequences from Kinder Morgan's poor coal handling practices. Reports the *Daily Press*:

While no correlation between the coal dust and asthma has been proven, a 2005 Peninsula Health District study shows that Newport News residents in the Southeast Community experience asthma rates more than twice the citywide and state averages.³¹

Across the bay in Norfolk, Virginia, communities near the Lambert's Point coal terminal operated by Norfolk Southern also worry that coal dust is responsible for the vicinity's elevated asthma rates. Near Lambert's Point, coal dust coats cars, windowsills, and plants. Even the soil is contaminated with coal and high concentrations of arsenic.³²

The coal dust problem in Newport News is so severe that city officials are considering using public money to attempt to mitigate the spread of coal dust from the terminals.³³

Bribery and pollution in Portland

Kinder Morgan's operations in Portland, Oregon, have been home to pollution, law-breaking, and even bribery.

In one incident, Kinder Morgan illegally dumped contaminated potassium chloride into the Pacific Ocean rather than pay landfill charges to dispose of it properly. In 2003, according to dockworkers, company officials bribed a ship captain \$1,100 to haul 159 tons of the fertilizer component out to sea and dump it.³⁴ Nearly five years later, Kinder Morgan finally pled guilty to violating the Ocean Dumping Act and settled with the US Attorney's Office, agreeing to pay \$240,000.³⁵

Previously, in response to a lawsuit against the company for its poor handling of soda ash in Portland, Kinder Morgan agreed in 2004 to pay \$75,000 for spills and to prevent its soda ash from continuing to pollute the Willamette River.³⁶ But problems continue.

In July 2011, state officials levied a \$10,400 fine for a spill at Kinder Morgan's port site, in which a fueling vessel spilled 125 gallons of marine fuel into the Willamette River. Then in October 2011, the US Coast Guard investigated a mysterious oil spill and fish die-off at Kinder Morgan's soda ash facility; state officials say it was the deadliest fish kill on the lower Willamette in nearly a decade.³⁷

Fraud, scams, and thefts

The bribery case in Oregon is part of a pattern of illegal behavior. A fraud investigation by the FBI determined that between 1997 and 2001 Kinder Morgan systematically scammed some of its customers, including the Tennessee Valley Authority (TVA), a publicly-owned provider of electricity in the mid-South.

At Kinder Morgan's Cora Terminal in Illinois, company officials used two different methods to weigh coal for the TVA and other power producers.³⁸ Operators used certified scales to take delivery of coal from rail cars, but then weighed outgoing coal by "barge draft," typically yielding weights two to three percent heavier than the certified scales. Kinder Morgan claimed that it was shipping out the same amount of coal that it had received, but in reality the company was keeping the "excess" coal yielded by the weight differential and selling it as its own "Red Lightning" coal.

The same federal investigation found that at its Grand River Terminal in Kentucky, Kinder Morgan officials simply took coal from its customer stockpiles. Altogether, investigators established that Kinder Morgan took and resold nearly 259,000 tons of coal. In 2007, the US Attorney's Office reached a \$25 million civil settlement with Kinder Morgan.³⁹

In another case settled in 2007, the US Environmental Protection Agency (EPA) fined Kinder Morgan \$613,000 for violations of the US Clean Air Act after regulators discovered that the company had been illegally mixing an industrial solvent—a dangerous hazardous waste described as a "cyclohexane mixture"—into unleaded gasoline and diesel. The company distributed 8 million gallons of the contaminated fuel, which clogged fuel filters and caused vehicles to break down.⁴⁰

In 2010, the federal government fined Kinder Morgan \$1 million for repeatedly violating the Clean Air Act at its Port Manatee Terminal in Florida. The US Department of Justice found that, among other crimes, Kinder Morgan managers lied in permit applications, stating that the company would control its pollution when they knew the control equipment was not being operated nor even maintained properly.⁴¹

Currently, Kinder Morgan is under investigation by the EPA for violating the federal Renewable Fuels Standard. Officials believe that Kinder Morgan purchased conventional fossil fuels with falsified documents certifying that the fuels came from renewable sources.⁴²

Pipelines result in deaths, felonies, and environmental disasters

Kinder Morgan's pipeline operations in the Northwest have had serious problems.

In 2007, a Kinder Morgan pipeline ruptured in Burnaby, British Columbia, forcing 50 families to evacuate their homes as oil rained down on a residential neighborhood.⁴³ *CBC News* reported:

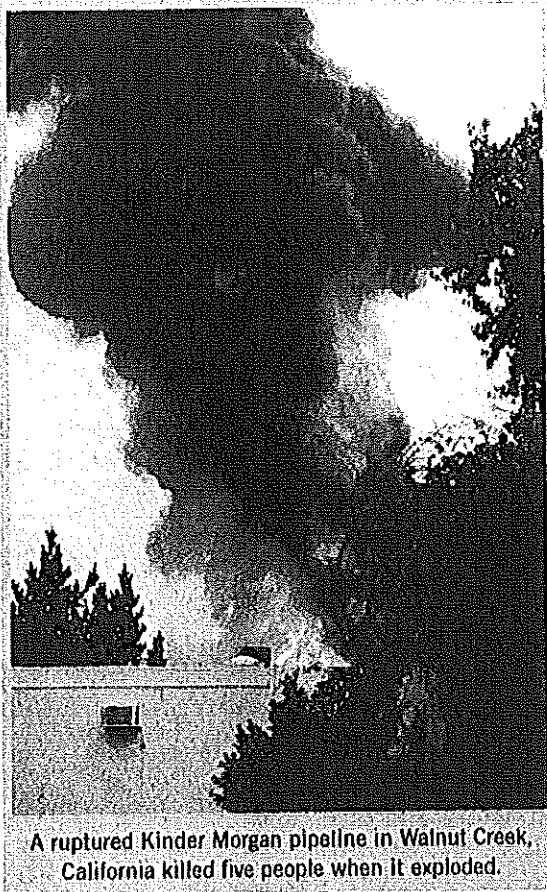
Some witnesses said oil shot 30 metres into the air like a geyser for 2.5 minutes. The black liquid rained down on houses, spewed across two lanes of traffic and ran downhill into [Burrard Inlet].

"We smelled oil and the smell of gas in [our] home," said one resident, Natalie Marson. "Next thing I know, we heard a frantic knock and it was police officers telling us to get out."⁴⁴

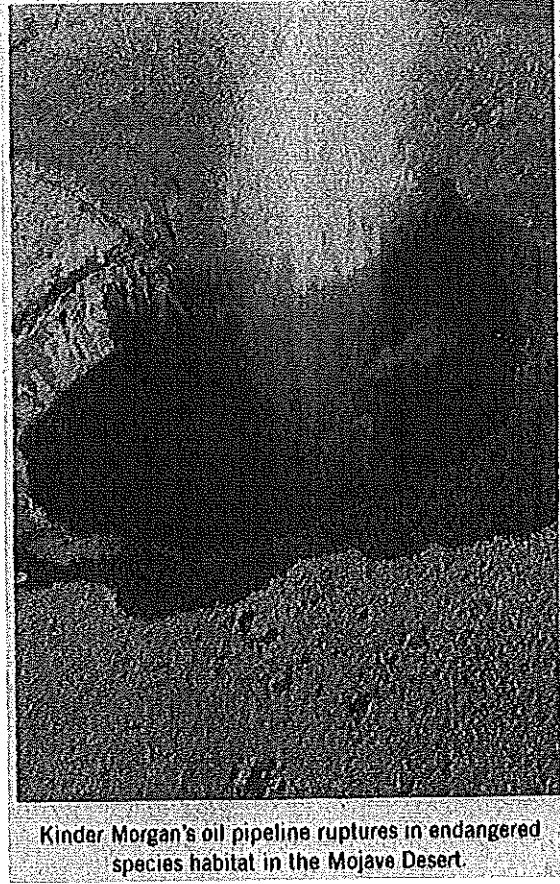


Then in January 2012, a separate Kinder Morgan storage facility in British Columbia spilled roughly 29,000 gallons (110,000 liters) of crude oil into the community of Abbotsford.⁴⁶

The most tragic Kinder Morgan mishap occurred in November 2004 when an excavator ruptured a high-pressure oil pipeline in the town of Walnut Creek, California. A welding torch then ignited the fuel, and five workers were killed as the pipeline erupted in a fiery explosion.



A ruptured Kinder Morgan pipeline in Walnut Creek, California killed five people when it exploded.



Kinder Morgan's oil pipeline ruptures in endangered species habitat in the Mojave Desert.

A Kinder Morgan subsidiary was subsequently convicted of six felony counts related to the Walnut Creek explosion and ordered to pay \$15 million in fines.⁴⁷

Kinder Morgan has had numerous other problems in California. In April 2004, a long stretch of corroded pipeline ruptured, spilling more than 123,000 gallons of diesel fuel into the Suisun Marsh, a sensitive saltwater wetland on San Francisco Bay.⁴⁸ Local environmental groups allege that the company waited more than a day before notifying authorities that the spill had occurred.⁴⁹ Kinder Morgan pled guilty on four counts related to the Suisun Marsh spill and an unrelated small spill in Los Angeles Harbor.⁵⁰

In November 2004, an oil pipeline owned by a Kinder Morgan subsidiary burst in the Mojave Desert, sending a jet of fuel 80 feet into the air. The break closed the nearby

interstate highway and contaminated more than 10,000 tons of soil in the habitat of the federally endangered California Desert Tortoise.⁵¹

In 2005, Kinder Morgan spilled 70,000 gallons of fuel into Oakland's inner harbor, and then 300 gallons into the Donner Lake watershed in the Sierra Nevada.⁵² And in 2007, the city of San Diego sued Kinder Morgan for failing to clean up a fuel leak that contaminated an aquifer.⁵³

Problems plague Kinder Morgan's pipeline operations elsewhere too. In one high profile case, a ruptured pipeline in Arizona spilled 19,000 of gasoline into a housing development under construction.⁵

More recently, in May 2011, the US Pipeline and Hazardous Materials Safety Administration announced a proposed \$425,000 fine against Kinder Morgan for safety violations, following a federal investigation into Kinder Morgan spilling 8,600 of "hazardous liquid" in New Jersey.⁵⁵

Then in December 2011, a two-year-old Kinder Morgan natural gas pipeline leaked in Ohio, spewing 127,000 cubic feet of natural gas and forcing nearby residents to evacuate their homes. The *Philadelphia Inquirer* reported:⁵⁶

The leak in Ohio was the last in a string of problems with REX. One worker digging the line in Wyoming was incinerated when his bulldozer hit another buried line; another firm was fined for not marking it properly. In Kansas, independent inspectors said they received threats when they flagged bad work.

The troubled REX pipeline is just one example of Kinder Morgan's labor problems.

Labor violations and unsafe working conditions

Kinder Morgan has numerous labor and workplace safety violations to its name. In February 2011, for example, the US Department of Labor sued Kinder Morgan, arguing that the firm had been underpaying nearly 4,600 workers for overtime for at least two years.⁵⁷ The company agreed to settle the suit, paying out \$830,000 in back pay.⁵⁸

The company claims that it has "better than industry average" safety performance at its facilities.⁵⁹ Yet Kinder Morgan has been fined for workplace safety violations over and over again by the US Occupational Safety & Health Administration, including "serious" violations at the company's bulk handling terminal in Portland, Oregon; its coal-handling terminal in Louisiana; Sparrows Point and Baltimore, Maryland; Rockwood, Illinois; Milwaukee, Wisconsin; Fernandina Beach, Florida; and Fairless Hills, Pennsylvania.⁶⁰

In 2011, Kinder Morgan agreed to pay \$7.5 million in a wrongful death lawsuit brought by the family of a Nevada truck driver. The family accused the company of failing to monitor and warn workers about exposure to toxic chemicals like benzene.⁶¹

Buying influence

In its promotional materials Kinder Morgan claims “we do not make any political contributions.”⁶² Yet public information made available by the Center for Responsive Politics shows that, in fact, Kinder Morgan has spent more than \$1.6 million to lobby Congress since 2003, and the firm was continuing to spend money on lobbying in 2011.⁶³

Kinder Morgan’s leadership also makes lavish political gifts. Richard Kinder seems to focus his political contributions on unregulated “soft money” giving nearly half a million dollars to the Republican National State Elections Committee since 2001. He also contributed over \$250,000 to Political Actions Committees (PACs) and an additional \$90,000 in “joint fundraising contributions” for Republican candidates. His wife, Nancy Kinder, donated over \$90,000 to the National Republican Senatorial Committee, and since 2001 she has contributed over \$340,000 to Republican candidates and PACs, plus more than \$80,000 in joint fundraising contributions.⁶⁴ Richard and Nancy Kinder were also major financial supporters of George W. Bush, raising well over \$1 million for his two presidential candidacies.⁶⁵

Richard Kinder is still making political contributions. In 2011, he gave thousands of dollars to top Republicans like House Speaker John Boehner and David Dewhurst, a Texas candidate for the US Senate.⁶⁶

Even the family’s ostensibly charitable foundation, the Kinder Foundation, may be pushing a political agenda. The Foundation contributed \$10 million to the George W. Bush Presidential Center in part to support the Bush Institute, the Center’s policy arm that promotes public policies related to “free market capitalism” and energy production.⁶⁷

What do the facts about Kinder Morgan mean for the Northwest?

Despite Kinder Morgan’s assurances to the contrary, there are good reasons to be concerned about the company’s coal export plans.

Kinder Morgan’s existing coal export operations are clearly dirty and are often in violation of clean air and clean water laws. Moreover, the company’s overall track record of crime, fraud, and deceit are worrisome. Until Kinder Morgan can demonstrate that it has cleaned up its act, decision-makers who want to protect the public interest should be extremely cautious about inviting Kinder Morgan to do business in the Northwest.

About the Author

Eric de Place is senior researcher at Sightline Institute. Japhet Koteen, Eric Hess, and Pam MacRae provided research assistance.

Sightline Institute is a not-for-profit research and communication center—a think tank—based in Seattle.

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1. Louisiana coal terminal image from Google Maps taken as a screenshot on February 22, 2012 by Sightline Institute.
2. Charleston coal dust image from YouTube taken as a screenshot on February 22, 2012 by Sightline Institute, <http://youtu.be/buogDaisOnY>.
3. Newport News mayor image from Newport News *Daily Press* website, "Newport News Coal Terminals," <http://www.dailypress.com/video/0c7bc2a2-8793-4c77-9022-5d239ff04669/News/Newport-News-Coal-Terminals> taken as a screenshot on February 22, 2012 by Sightline Institute.
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