

Tennessee Valley Authority Office of the Inspector General



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TVA OIG Gives Out a Cash Reward for the First Time in its 22-Year History

When November drew to a close last year, the TVA OIG had already made history when one of its joint investigations with the FBI led to a recovery that exceeded \$25 million. The civil settlement was with three Kinder Morgan limited partnerships, collectively called “Kinder Morgan” that operated two coal terminals used by TVA and other private companies.

Now, another related historical event ensues. For the first time in TVA OIG’s existence, the office is paying out a \$5,000 reward to the tipster who made it all possible. “Tips such as the one in this case lead to most major investigations,” TVA Inspector General Richard W. Moore noted, “and we encourage anyone who suspects fraud to contact our hotline, the Empowerline, at 1-877-866-7840 or <https://www.oigempowerline.com>. The hotline is operated by a neutral, third party away from TVA and is operational 24/7. It also provides callers with the option of being anonymous.” Moore continued, “What makes this case especially interesting is the individual who alerted authorities to their concern, suspected something wasn’t right, and even though what they initially reported checked out OK, their report led to discovering what the real problem was.”

The settlement stated TVA and other private companies had contracted with Kinder Morgan to handle and transport coal at two of its coal terminals--the Cora Terminal in Rockwood, Illinois, and the Grand Rivers Terminal (GRT) in Grand Rivers, Kentucky. The coal arrived at these two terminals after it was weighed by certified scales and then shipped by rail. After the coal arrived at Cora and/or GRT, it was then offloaded, stored, and eventually loaded onto barges for delivery to TVA plants in Kentucky, Tennessee, and Alabama.

The way the scheme worked was the same coal--originally weighed by certified scales--that arrived at the Cora Terminal was then weighed by barge draft before being shipped from the terminal to the customer. The barge draft method usually weighed two to three percent heavier than the certified scales that were originally used to weigh the coal, resulting in less coal being shipped from the terminal than was received. Kinder Morgan reportedly took this “excess” coal from its customers and sold it

under its own "Red Lightning" label from 1997 through 2001. At GRT, where certified scales were used for both incoming and outgoing coal, it is alleged that Kinder Morgan simply took coal from the customer stockpiles and sold it under the Red Lightning label.

TVA received nearly \$8 million of the settlement amount to recover its losses. "This was a huge win for TVA employees and ratepayers," Moore said. "Twenty-five million dollars is the largest recovery in the history of TVA OIG, and I believe the efforts of our special agents and auditors working closely with the FBI led directly to Kinder Morgan agreeing to this settlement."