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BUILDER OF VAST NORTHEASTERN GAS PIPELINE PLEADS GUILTY,
WILL PAY \$22 MILLION IN CRIMINAL AND CIVIL FINES

Environmental Fine Second Only To Exxon Valdez

WASHINGTON, D.C. -- In the largest penalty in an environmental case since the 1989 Exxon Valdez oil spill, the Connecticut-based Iroquois Pipeline Operating Company will pay \$22 million in criminal and civil fines for violating federal environmental and safety laws, the United States announced today. The violations stem from the construction of one of the country's longest natural gas pipelines running 370 miles from Canada through upstate New York and Connecticut to Long Island.

The company and four of its high-level officers and supervisors pleaded guilty today to numerous criminal violations of the Clean Water Act including failure to clean up or restore damage to nearly 200 streams and wetlands as a result of rushing to meet construction deadlines.

The plea agreements entered into in U.S. District Court in Syracuse, are the result of a four-year investigation led by the United States Attorney for the Northern District of New York. The investigation stemmed from the company's violations of permits issued by the Army Corps of Engineers and the Federal Energy Regulatory Commission.

The company pleaded guilty to having failed to construct safety devices called "trench breakers" at regular intervals along the pipeline ditch and at the edge of wetlands. These devices control soil erosion and corrosion of the pipeline, especially where the terrain slopes. The failure to install the required number of breakers within the trench could have washed out the soil which holds the pipeline securely in place.

Other matters addressed in the plea agreement include the improper placement of large rocks on the pipeline in an effort to quickly fill the trenches in which it is housed. Placement of rocks in such a manner can damage the pipeline, posing a serious threat to its structural integrity.

"The widespread nature of the criminal violations is almost impossible to overstate," said Joseph A. Pavone, Acting United

States Attorney for the Northern District of New York. "The pipeline construction industry is now on notice that it will be held accountable and criminally liable for knowingly failing to comply with promises made to the public and government regarding adherence to environmental and safety laws."

"Almost everywhere we dug we found violations," said Lois J. Schiffer, Assistant Attorney General in charge of the Justice Department's Environment and Natural Resources Division. "With these criminal pleas and the large fine, we've shown that even the most powerful companies must obey the law."

"Violations of the terms of these permits constitute a breach of the public trust," said Joe Seebode, Regulatory Chief of the Army Corps of Engineers New York District Office. "After establishing the significant nature of the adverse impact associated with the violations, the Corps referred the case to the Justice Department and assisted them in this thorough investigation."

Other agencies involved include the Federal Bureau of Investigation; Environmental Protection Agency; U.S. Department of Transportation, Office of the Inspector General; U.S. Department of Energy, Office of the Inspector General; U.S. Department of the Army, Criminal Investigative Division; and U.S. Attorney's Offices for the Southern and Eastern Districts of New York and the District of Connecticut.

Each of the four felony violations of the Clean Water Act to which Iroquois pleaded guilty fall into one of three categories:

- p failure to clean up or otherwise restore 188 streams and wetlands;
- p failure to install innumerable trench breakers;
- p failure to install trench breakers at the edges of wetlands.

In total, the categories encompass thousands of individual Clean Water Act violations.

One of the felony counts to which the company pleaded guilty involved its failure to clean up or otherwise restore 188 streams and wetlands. The construction permit issued by the U.S. Army Corps of Engineers required Iroquois to backfill soil excavated during the laying of the pipeline and restore all adversely affected wetlands along the right-of-way. However, the company left many mounds of soil standing within the wetlands. This not

only interrupted the overall circulation of waters within those wetlands, but also reduced their size, damaged aquatic life, and eliminated stream bottom habitat. After the company learned that it was the object of a federal criminal investigation, it began to restore a number of the affected streams and wetlands.

The company has also agreed to enter four civil settlements to resolve Clean Water Act violations, one in each of the following districts: the Northern, Southern and Eastern Districts of New York and the District of Connecticut.

In June, 1991, Iroquois commenced construction of a pipeline to transport natural gas from Ontario, Canada to Long Island, New York. The pipeline crossed 500 rivers, streams and wetlands throughout New York and Connecticut. Permits issued by the United States Army Corps of Engineers and the Federal Energy Regulatory Commission required that specific steps be taken to avoid damage to the environment and to cleanup construction sites following the pipeline's completion. The pipeline was completed in January, 1992 and the gas began to flow immediately.

In addition to the criminal and civil actions, the Iroquois Pipeline Operating Company agreed to the entry of two administrative Orders against it: one by the Federal Energy Regulatory Commission, and the second by the United States Department of Transportation. The administrative Orders relate to violations of the FERC certificate, governing construction of the pipeline, and DOT safety laws and regulations, also governing pipeline construction.

The criminal, civil and administrative agreements require Iroquois to take specific steps to correct the problems uncovered during the criminal investigation including further cleanup and remedial work on 30 wetland and stream sites and continual monitoring to insure no safety or related problems arise from the improper placement of the rocks on the line and the failure to install the numerous breakers.

In addition to the enforcement actions against the company, the following individuals pleaded guilty:

Robert Reid, former President of Iroquois Pipeline Operating Company, pled guilty to three counts of negligently violating the Clean Water Act;

John Mackenzie, former Iroquois Manager of Engineering & Construction, pled guilty to three counts of negligently violating the Clean Water Act;

Michael Saley, former Iroquois Spread One Construction Supervisor, pled guilty to one count of negligently violating the Clean Water Act; and

Carl Addison, former Iroquois Spread Two Construction Supervisor, pled guilty to one count of negligently violating the Clean Water Act.

According to the terms of their plea agreements, each of the individual defendants is subject to one year in jail and a \$100,000 criminal fine. They will be sentenced at a later date.

The criminal and civil fines imposed on Iroquois are as follows:

- p a \$15 million dollar federal criminal fine, 1.5 million of which will be suspended on the condition that it is paid as restitution to the State of New York;
- p a \$2.25 million federal civil penalty with an additional \$2.25 million in the form of a supplemental environmental project going to the National Fish and Wildlife Foundation for the creation of wetlands in the vicinity of the pipeline;

In addition, Iroquois will \$2.5 million to New York State for for resolution of violations of Iroquois' state permit.

This case follows the \$1 billion dollar Exxon Valdez settlement, as the second largest environmental penalty ever imposed by the United States.

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