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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

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## COMMISSION ACCEPTS \$21 MILLION CIVIL PENALTY TO SETTLE INVESTIGATION OF AEP'S NATURAL GAS ACTIVITIES

The Federal Energy Regulatory Commission today accepted a settlement agreement with American Electric Power Co. to resolve an investigation into the natural gas storage and transportation activities of two intrastate pipeline units formerly owned by the Columbus, Ohio-based utility holding company, and AEP-affiliated marketers.

The settlement calls for AEP to pay a \$21 million civil penalty under the Natural Gas Policy Act of 1978 (NGPA), the largest civil penalty ever assessed by the Commission. It also requires AEP to adopt a compliance plan to prevent future violations.

The agreement closes an investigation by the Office of Market Oversight and Investigations of preferences that the intrastate pipelines provided to affiliated gas marketers in transportation and storage under the Commission's NGPA jurisdiction. AEP neither admits nor denies the violations.

"This settlement is good for customers and represents a relatively rare opportunity to exercise FERC's rather limited civil penalty authority," said Commission Chairman Pat Wood, III. "Our ability to protect customers will be enhanced if Congress acts to expand the Commission's civil penalty authority so it is on par with those of other federal agencies," Chairman Wood noted.

Today's settlement culminates a Commission staff investigation which concluded that AEP's Jefferson Island Storage & Hub intrastate pipeline failed to disclose to the Commission a non-public agreement in which Jefferson Island put its affiliated gas marketer AEP Energy Services in control of injections and withdrawals at Jefferson Island's gas storage facility in Louisiana. This agreement allowed Energy Services to receive storage services that Jefferson Island did not provide to any other customer, as well as exclusive, continuing access to confidential storage information about Jefferson Island's other customers. Staff also concluded that AEP's Louisiana Intrastate Gas pipeline provided undue preferences in transportation services to Energy Services.

Neither pipeline company is currently owned by AEP. Commission staff understands that the companies' new owners are not repeating the improper practices.

In addition to the \$21 million civil penalty, the agreement requires AEP, Energy Services, American Electric Power Service Corp. and Houston Pipe Line Co., AEP's remaining intrastate pipeline company now within the Commission's NGPA jurisdiction, to follow a four-year compliance plan to prevent future violations. The plan provides for continued monitoring by Commission staff of AEP's compliance with Standards of Conduct, Market Behavior rules, and the Commission's NGPA regulations. AEP will designate a Compliance Officer to develop a coordinated plan for compliance with Commission rules and training of personnel and to report to OMOI on the plan's implementation.

Also today, the U.S. Department of Justice and the U.S. Commodity Futures Trading Commission each announced settlements with AEP.

Pursuant to the DOJ settlement, Energy Services will pay a \$30 million criminal penalty to resolve a criminal investigation into the knowing delivery of knowingly inaccurate reports concerning natural gas commodity markets. DOJ will defer filing criminal charges against Energy Services for 15 months, at which time DOJ will close any further investigation or pursuit of Energy Services relating to the investigation if Energy Services fully complies with the DOJ settlement.

The CFTC settled charges it filed in September 2003, alleging that AEP and Energy Services engaged in false reporting to energy price index compilers and thereby engaged in attempted manipulation. Under the CFTC settlement, Energy Services will pay a civil monetary penalty of \$30 million and acknowledge and accept responsibility for submitting knowingly inaccurate data for one or more delivery points or hubs for which Energy Services provided trade information.

FERC, CFTC and the Department of Justice coordinated their investigations. "The Commission would like to thank the CFTC and the Justice Department for their ongoing cooperation in this matter and for investigating under their statutory authority unlawful conduct in the natural gas and electricity markets," Chairman Wood said.