FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE
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COMMISSION ACCEPTS $8.1 MILLION TO RESOLVE IMPROPER SHARING OF GAS STORAGE INVENTORY INFORMATION

The Federal Energy Regulatory Commission today approved three settlements with units of Dominion Resources Inc., Nicor Inc. and NiSource Inc., in which the companies agreed to pay a total of $8.1 million in civil penalties and customer refunds to resolve enforcement matters relating to violations of the Commission's Standards of Conduct and providing unauthorized transportation-related information to customers.

As part of the agreements, the companies admit that their employees shared with employees of their affiliates and favored customers commercially sensitive natural gas storage inventory information. This non-public information had commercial value because it helped traders anticipate natural gas storage transportation volumes, which would affect gas prices and operational decisions.

Also today, the Commission issued a notice of technical conference and request for written comments regarding reporting of natural gas storage inventory information. The conference will explore whether the Commission should require increased reporting of storage inventory information to provide greater transparency and prevent improper exchanges of storage-related information.

Under the separate settlements accepted by the Commission, Dominion Transmission Inc., Dominion Resources Inc. (Dominion Resources) and Dominion Energy Clearinghouse (Dominion entities) agreed to refund $4.5 million to storage customers and pay a $500,000 civil penalty. Nicor's Northern Illinois Gas Co. agreed to pay a civil penalty of $600,000 and NiSource's Columbia Gas Transmission Corporation (Columbia) agreed to pay a civil penalty of $2.5 million. The companies also agreed to undertake remedial measures intended to prevent any recurrence of such activity.

The penalties, assessed under the Natural Gas Policy Act, represent a relatively rare instance in which the Commission may impose civil penalties. Expanding the Commission's civil penalty authority would enhance the agency's ability to deter anticompetitive behavior in energy markets.

As explained in the settlements, the pipeline companies periodically communicated, for extended periods of time, their non-public daily injection or withdrawal volumes for previous days to customers or other industry participants. The information communicated was potentially helpful to understanding and anticipating gas price movements, NYMEX natural gas futures price movements, and gas price differentials between production and consumer markets. In addition, the information was potentially useful to pipeline company customers because it provided clues regarding pipeline operating dynamics. This behavior violated the Commission's Standards of Conduct and rules proscribing undue preference.

The Agreement with the Dominion entities states that Dominion Transmission Inc. (DTI) communicated its non-public storage inventory information to a risk group employee of Dominion Resources, who passed the information to a gas trader in Dominion Energy Clearinghouse (DEC). This disclosure violated the Commission's standards of conduct which prohibits the preferential communication of pipeline information to a marketing affiliate. The gas trader in DEC communicated the DTI storage inventory information to other industry participants.

The Agreement with Nicor states that Nicor communicated its non-public storage inventory information to one of its customers. The Agreement with Columbia states that Columbia communicated its non-public storage inventory information to three of its customers. In addition to agreeing to pay a penalty, Columbia agreed to record all conversations between its customer service representatives and its customers for a period of one year.

The disclosures by Nicor and Columbia favored select customers. None of the companies whose representatives signed Agreements approved today posted their daily injection and withdrawal information during the time when the communications regarding storage inventory information were made.

The natural gas storage technical conference, scheduled for September 28, 2004, was prompted by the information contained in the Agreements that suggests that a web of improper contacts regarding non-public storage inventory information permeates parts of the natural gas industry.

The Agreements that the Commission approved today, and the technical conference that it announced, are part of the Commission's continuing effort to police natural gas transportation and sales markets, and to consider potential changes in rules.