FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACTS:
Tamara Young-Allen and
Hedley Burrell
(202) 502-8680

FOR IMMEDIATE RELEASE
March 17, 2003
Docket Nos. IN02-1-000 and
FA02-4-000

CIVIL PENALTY OF $20 MILLION IS LARGEST IN COMMISSION HISTORY, SIGNALS TOUGH PENALTIES FOR ANTICOMPETITIVE BEHAVIOR

The Federal Energy Regulatory Commission today approved a settlement that includes a civil penalty of $20 million–the largest in Commission history. The tough penalty stems from anticompetitive practices by Transcontinental Gas Pipe Line Corporation (Transco), a subsidiary of The Williams Companies (Williams).

"This settlement should make it abundantly clear that improper dealing will not be allowed to jeopardize the economic growth that comes from open and fair markets," said Chairman Pat Wood, III. "The Commission will not tolerate this kind of anticompetitive behavior."

However, Chairman Wood emphasized that this settlement stems from a relatively rare instance in which the Commission has authority to impose civil penalties. FERC's civil penalty authority is limited and expanding that authority would enhance the Commission's ability to deter anticompetitive behavior in energy markets, the Chairman said.

The agreement is between the Office of Market Oversight and Investigations (OMOI), which conducted the investigation with the Office of the Executive Director, and Transco. Other parties to the settlement were Transco's marketing affiliate, Williams Energy Trading & Marketing Company (WEM&T), and Williams.

In addition to the $20 million penalty, Transco agreed to the termination of its Firm Sales merchant function, which will cut off one of the means by which it gave preferential treatment to its marketing affiliate.

The penalty, to be paid in five installments over four years, goes to the U.S. Treasury. For their part, in the settlement, Transco, WEM&T and Williams neither admitted nor denied the violations.

In pursuing an intensive investigation and arranging the settlement, the Commission underscored its determination to enforce standards of conduct and to protect shippers and competition by preventing pipelines from favoring affiliates.

"This settlement marks the beginning of a new era for the Commission and for the markets it oversees. The Commission has the will and the means through our new office to deal quickly and effectively with behavior that undermines the integrity of energy markets," said William Hederman, OMOI Director. He added, "We appreciate the cooperation of Williams management in agreeing to a strict compliance plan once we brought OMOI's findings to their attention."

Transco's violations found by staff, which occurred between 1999 and the present, and involved WEM&T, include:

*violating the Natural Gas Act and regulations thereunder that bar interstate pipelines from giving undue preference to affiliates in transportation matters;

*failing to provide the same transportation information contemporaneously to other shippers that it provided to its marketing affiliate;

*permitting WEM&T to run a program to “optimize”its transportation nominations on Transco, by using access to Transco’s computer databases that Transco did not make available to other shippers;

*giving WEM&T employees access to non-affiliated customer and transportation information via Transco’s computer databases, and disclosing to its marketing affiliate information about a non-affiliated shipper;

*improperly sharing Supervisory Control and Data Acquisition (SCADA) information with all employees of the Williams companies via the Williams Intranet;

*failing to maintain proper records of some discounts and properly posting or reporting such information;

*failing to maintain proper files in other areas, such as transportation contracts and transactions.

In addition to the $20 million civil penalty, the settlement provides that WEM&T and other marketing affiliates of Transco generally will not obtain any new transportation from Transco and certain other affiliated pipelines or increase the capacity the marketing affiliates possess under existing contracts.

Transco, certain other affiliated pipelines and WEM&T will be subject to a Commission compliance plan for four years designed to ensure that marketing affiliates do not have preferential access to computer information and that they comply with other Commission regulations.

Before today's settlement, the largest civil penalty was $11 million, paid by Transco under a 1991 settlement for, among other things, destroying archeological sites in Alabama.

Houston-based Transco operates a natural gas pipeline system of approximately 10,000 miles, transporting natural gas from onshore and offshore wells in the Gulf of Mexico and south Texas to the Southeast and Northeast. Its parent company, Tulsa-based Williams, is a major energy company involved in natural gas, liquids, petroleum and electricity.

The Commission's order and the settlement can be seen in full on the Commission's website–www.ferc.gov.

R-03-11