FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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COLUMBIA GULF TRANSMISSION COMPANY AGREES TO PAY $2 MILLION CIVIL PENALTY TO RESOLVE INVESTIGATION OF COMPLIANCE WITH COMMISSION ORDERS

The Federal Energy Regulatory Commission today approved a Stipulation and Consent Agreement requiring Columbia Gulf Transmission Company to pay a civil penalty of $2 million to resolve an investigation into whether Columbia Gulf violated Commission orders by failing to allow Tennessee Gas Pipeline Company to construct a receipt point interconnection on a natural gas complex in Egan, Louisiana.

In accepting the Agreement, the Commission noted the importance of pipeline interconnections to facilitate open-access transportation of natural gas and to maximize the value of the nation's interstate pipeline network. The Commission also noted the importance of compliance with Commission orders.

"There is no question that companies subject to the Commission's jurisdiction must comply promptly and fully with the Commission's orders," Chairman Joseph T. Kelliher said. "Failure to do so causes harm to the regulatory process and to the orderly administration of our governing statutes."

Under the Stipulation and Consent Agreement, Columbia Gulf may not recover the civil penalty amount from its ratepayers. The company must pay the United States Treasury within ten days.

Columbia Gulf and Tennessee are co-owners of the Blue Water Project, a natural gas complex that the two companies have jointly operated since 1972. Under the Blue Water Project Operating Agreement, Tennessee operates the eastern portion and Columbia Gulf operates the western portion, called the Western Shore Line. The Western Shore Line terminates at the Egan complex where Columbia Gulf is responsible for deliveries from the Western Shore Line to itself, to Tennessee and to two other interstate natural gas pipelines. Columbia Gulf operates the Egan complex.

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In October 2003, Tennessee proposed to Columbia Gulf a plan to construct an interconnection at the Western Shore Line so that Tennessee could deliver gas to the Blue Water Project from its Muskrat Line. When Columbia refused, Tennessee filed a formal complaint with the Commission in March 2004.

In July 2005, the Commission issued an order allowing Tennessee to construct a receipt interconnection on the Blue Water Project at Egan, Louisiana, as soon as operationally possible. Commission policy requires open-access pipelines to allow interconnections with other pipelines when certain conditions are met, and Tennessee's interconnection was approved because it met all the applicable criteria for a pipeline-to-pipeline interconnection.

A dispute over which company would operate the new interconnection resulted in another order in July 2006 directing Columbia Gulf to provide the necessary taps for Tennessee to complete the interconnection. The Commission also referred the matter to the Office of Enforcement to determine whether Columbia Gulf's actions had violated or were violating the Commission's prior orders.

The Office of Enforcement alleged that Columbia Gulf created unwarranted obstacles and did not meaningfully work with Tennessee to allow the new interconnection as directed by the Commission, and that Columbia Gulf's actions, directed by senior management, substantially delayed completion of the interconnection project. In entering into the settlement, Columbia Gulf neither admitted nor denied the alleged violations.

The Commission's order states, "In light of the facts and circumstances, we conclude the penalty and conditions specified in the Agreement provide a fair and equitable resolution of this matter and are in the public interest."

Since January 2007, the Commission has approved eight settlements with natural gas and electric entities with civil penalties totaling $30 million.

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