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# FEDERAL ENERGY REGULATORY COMMISSION



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## NEWS RELEASE

**News Media Contact:**  
Tamara Young-Allen  
202-502-8680

**For Immediate Release**  
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Docket No. IN07-24

### **CALPINE ENERGY SERVICES AGREES TO \$4.5 MILLION CIVIL PENALTY TO RESOLVE SELF-REPORTED SHIPPER-MUST-HAVE-TITLE VIOLATIONS**

The Federal Energy Regulatory Commission today issued an order approving a Stipulation and Consent Agreement requiring a Calpine Corporation affiliate, Calpine Energy Services, L.P. (CES), to allow a \$4.5 million civil penalty claim in its bankruptcy proceeding to resolve self-reported violations of the Commission's "shipper-must-have-title" requirements. The United States Bankruptcy Court for the Southern District of New York approved the pre-petition unsecured claim.

CES will also report on future compliance with the Commission's policies, including the "shipper-must-have-title" requirement.

The Commission found that CES violated Commission requirements when the company failed to hold title to 156.5 billion cubic feet of gas that CES transported on eight natural gas pipelines. CES's violations of the "shipper-must-have-title" requirement numbered in the thousands and varied in type, including the misuse of capacity held by Calpine affiliates to serve other affiliates, and improper movement of gas to storage and delivery of gas to other pipelines and markets.

The Commission concluded that "... by failing to engage in proper releases followed by Internet website posting, [CES] shielded from other market participants relevant information concerning the use being made of capacity held by Calpine affiliates. In this way, [CES] undermined the market transparency necessary for the Commission's open access policies to function properly."

The Commission's order further noted that CES self-reported its violations, demonstrated exemplary cooperation with FERC Staff's investigation, and moved quickly to cease its violations of the "shipper-must-have-title" requirement.

FERC Chairman Joseph T. Kelliher said, "As today's order demonstrates, the Commission will continue to firmly and fairly exercise the civil penalty authority granted

by Congress in the Energy Policy Act of 2005. This order marks the second time the Commission has addressed violations of the ‘shipper-must-have-title’ requirement, which is a core element of our natural gas regulatory program. Given the scope and nature of the violations, the penalty ordered by the Commission would have been substantially higher had the company not self-reported and demonstrated exemplary cooperation. Accordingly, we reiterate that we value highly a company’s commitment to rectifying inappropriate conduct by self-reporting its violations and cooperating in staff’s investigations.”

Commission policy requires shippers on interstate natural gas pipelines to hold title to the gas shippers transport at the time the gas is delivered to the pipeline and while it is being transported on the pipeline. The “shipper-must-have-title” requirement is designed to promote pipeline open-access and to prevent undue discrimination in both primary and secondary markets for natural gas transmission capacity.

Since January 2007, the Commission has approved seven settlements with natural gas and electric entities with civil penalties totaling \$28 million.