

111 FERC ¶ 61,392  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeen G. Kelly.

The Williams Companies, Inc.  
The Williams Power Company, Inc. and  
Transcontinental Gas Pipe Line Corporation

Docket No. IN04-2-001

ORDER APPROVING STIPULATION AND CONSENT AGREEMENT

(Issued June 15, 2005)

1. The Office of Market Oversight and Investigations (OMOI) executed a Stipulation and Consent Agreement (Agreement) with the following entities: The Williams Companies, Inc. (Williams); The Williams Power Company, Inc. (WPC) and Transcontinental Gas Pipe Line Corporation (Transco) (collectively, the Williams entities). The Agreement was executed following a formal, non-public investigation involving the named entities.<sup>1</sup> The Agreement resolves issues relating to communication of non-public natural gas storage inventory information by an employee at Transco, a natural gas company subject to the Commission's jurisdiction under the Natural Gas Act, to traders at Williams Energy Marketing & Trading Company (WEMT), a marketing affiliate of Transco and a predecessor of WPC, in violation of the Commission's regulations then governing affiliate communications. The Agreement is in the public interest because it settles violations of law and related issues and provides appropriate relief. We therefore approve it.

2. The Agreement discloses that an employee at Transco communicated Transco's weekly storage injection or withdrawal volumes to WEMT traders over an 11-month period. The weekly storage inventory information was not public at the time the Transco employee communicated it to the WEMT traders. The WEMT traders then communicated this information to a WEMT analyst, who, in turn, communicated this information to a non-affiliated gas trader.

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<sup>1</sup> See 18 C.F.R. Part 1b (2004).

3. Transportation of natural gas in interstate commerce includes storage.<sup>2</sup> By communicating non-public storage inventory information from Transco, an interstate pipeline, to WEMT, a marketing affiliate, Transco admits that it violated Standard F of the Commission's standards of conduct requirements then in effect. Standard F stated that, to the extent a natural gas pipeline provides to a marketing affiliate information related to transportation of natural gas, it must provide that information contemporaneously to all potential shippers, affiliated and non-affiliated, on its system.<sup>3</sup>

4. An August 2004 Order approving settlement in this investigation involving the communication of non-public storage inventory information revealed that employees from two other interstate pipelines and one local distribution company provided non-public storage information to market participants.<sup>4</sup> As we indicated in the August 2004 Order, the natural gas traders and market participants apparently value this information because they believe it provides insight with respect to one or more of the following: (a) NYMEX natural gas contract futures prices immediately following the release by the United States Department of Energy's Energy Information Administration (EIA) of its

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<sup>2</sup> 18 C.F.R. § 284.1(a) (2004).

<sup>3</sup> 18 C.F.R. § 161.3(f) (2003). In November 2003, the Commission issued Order No. 2004, which supersedes the provisions of Part 161 of the Commission's regulations that Transco violated. *Standards of Conduct for Transmission Providers*, Order No. 2004, *FERC Statutes and Regulations* ¶ 31,155 (2003), *order on reh'g*, Order No. 2004-A, 107 FERC ¶ 61,032 (2004), *order on reh'g*, Order No. 2004-B, 108 FERC ¶ 61,118 (2004), *order on reh'g*, Order No. 2004-C, 109 FERC ¶ 61,325 (2004); *order on rehearing*, Order No. 2004-D, 110 FERC ¶ 61,320 (2005), *pending appeal* (D.C. Circuit Nos. 04-1178, *et al.*) . In Order No. 2004, the Commission adopted standards of conduct that apply uniformly to interstate natural gas pipelines and public utilities. The Commission codified these standards of conduct in Part 358 of the Commission's regulations and revised Part 161 of its regulations. The Commission included section 358.5(b), 18 C.F.R. § 358.5(b) (2004), which is comparable to the former Standard F. By issuing Order No. 2004, the Commission did not change its policy or requirement with respect to the communication of transportation-related, non-public information from pipelines to marketing affiliates. The provisions of Part 161 apply to the conduct of Transco because that conduct predates the effective date of Order No. 2004.

<sup>4</sup> See *Dominion Resources, Inc., Dominion Transmission, Inc., Dominion Energy Clearinghouse, Northern Illinois Gas Company and Columbia Gas Transmission Corp.*, 108 FERC ¶ 61,110 (2004) (August 2004 Order).

weekly natural gas storage report at 10:30 a.m. Eastern Time;<sup>5</sup> (b) off-exchange traded natural gas-based instruments; (c) fluctuating price differentials between major receipt and delivery points; (d) general market conditions; (e) the value of storage as a price hedging mechanism; or (f) pipeline operations affecting transportation or storage of gas.

5. Transco and Williams had ample notice of the Commission's prohibition of pipeline communications of non-public transportation-related information to marketing affiliate personnel. The Commission first announced rules prohibiting the preferential communication of transportation-related information to affiliated marketers in 1988,<sup>6</sup> at which time it plainly explained the prohibition against such communications.<sup>7</sup> In 2000, the year before Transco began its prohibited communications, the Commission approved two settlements for similar conduct.<sup>8</sup> In that year, the Commission also granted Transco's motion to clarify an earlier settlement to permit employees of WEMT who were not involved in natural gas related transactions to have offices in the same building in which Transco was headquartered.<sup>9</sup> In its order granting clarification, the Commission noted safeguards designed to prevent Transco from favoring its marketing affiliates.<sup>10</sup>

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<sup>5</sup> The communication of information from Transco to WEMT at issue occurred from August 2001 to June 2002. The American Gas Association (AGA) issued a weekly natural gas storage report on Wednesdays during this period until May 2002. Thereafter, the EIA began issuing its weekly natural gas storage report on Thursdays.

<sup>6</sup> Order No. 497, Inquiry Into Alleged Anticompetitive Practices Related to Marketing Affiliates of Interstate Pipelines, FERC Stats. & Regs., Regulations Preambles 1986-1990 ¶ 30,820 (1988).

<sup>7</sup> As the Commission stated in Order No. 497, "A pipeline must, however, provide simultaneously to all potential shippers any information related to transportation, sales, or marketing that it gives to a marketing affiliate," ¶ 30,820 at 31,139, and "The Commission intended the prohibition against revealing transportation information to an affiliate unless the information was given to all potential shippers to apply to general information concerning transportation." *Id.* at 31,141.

<sup>8</sup> *E.g.*, *Columbia Gas Transmission Corp.*, 93 FERC ¶ 61,057 (2000); and *Kinder Morgan Interstate Gas Transmission LLC*, 90 FERC ¶ 61,310 at p. 62,012 (2000).

<sup>9</sup> *Transcontinental Gas Pipe Line Corp.*, 92 FERC ¶ 61,008 (2000).

<sup>10</sup> *Transcontinental Gas Pipe Line Corp.*, 92 FERC ¶ 61,008 at 61,104.

## **The Agreement**

6. The Agreement with the Williams entities provides for Transco to refund to its non-affiliate storage customers listed in Appendix A to the Agreement the sum total of \$4,000,000. The payments shall be made in proportion to each customer's share of the total firm storage reservation revenues received by Transco applicable to services rendered from August 2001 through June 2002. The refund amount represents an approximation of the trading benefit WEMT could have derived from the non-public storage inventory information it received.

7. The Williams entities further agree to pay a civil penalty in the amount of \$3,600,000. The Commission's limited civil penalty authority under section 504(b)(6) of the Natural Gas Policy Act of 1978 (NGPA)<sup>11</sup> applies here because, during the period when the prohibited communications occurred, Transco conducted transportation pursuant to contracts executed under section 311 of the NGPA. As explained in the Agreement, the Transco employee provided Transco's non-public weekly storage inventory information by telephone during an 11-month period beginning August 2001 to WEMT traders. The WEMT traders then communicated the information to a WEMT analyst, whose job responsibilities included creating and disseminating an internal forecast of the weekly natural gas storage report provided by the AGA, and starting in May 2002, the EIA. The WEMT analyst then communicated this information to a gas trader for another company. The Williams entities neither admit nor deny that this communication to a non-affiliated gas trader constituted an undue preference under section 4(b) of the Natural Gas Act.<sup>12</sup> The non-affiliated gas trader provided the WEMT analyst additional non-public storage inventory information.

8. The Williams entities agree to abide by the Compliance Plan contained in Appendix B to the Agreement. The purpose of this plan is to help Williams comply with the Commission's Standards of Conduct and Market Behavior Rules requirements. The Compliance Plan mandates training in the Commission's Standards of Conduct and the creation of various written documents that: (1) prescribe compliance measures; (2) set forth permissible and prohibited natural gas and electric power trades and strategies; (3) describe the chain of processes by which such trades are executed and captured; (4) describe each natural gas or power trader's authorization to make trades and identify trading limits; and (5) identify infractions of trading rules. The Compliance Plan requires that Williams' Board of Directors approve a list of prohibited trades and strategies. Under the Compliance Plan, the Williams Compliance Officer or Chief Compliance Officer shall report at six-month intervals to Williams' Board of Directors regarding

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<sup>11</sup> 15 U.S.C. § 3414(b)(6) (2000).

<sup>12</sup> 15 U.S.C. § 717c(b) (2000).

matters relating to adherence to the Compliance Plan and as soon as practicable should material infractions be discovered. The Compliance Plan requires Williams to audio record all telephone conversations conducted on the trading floor of all affiliated natural gas and electric power traders and to preserve those recordings, and all other documents required by the Compliance Plan, for at least four years from the Effective Date of the Agreement. An independent auditor shall audit Williams' compliance with the Compliance Plan. The independent audit shall cover a one year period and shall be conducted within 18 months of the Effective Date of the Agreement. OMOI may, for good cause and in the exercise of its discretion, direct Williams to conduct a second independent audit. Williams shall also conduct an internal audit of its compliance with the Compliance Plan that shall cover a one year period.

9. The Agreement also contains revisions to a Stipulation and Consent Agreement that the Commission approved in March 2003.<sup>13</sup> We deem these revisions appropriate due to changed circumstances in the natural gas sales industry since March 2003 and in light of the extensive compliance plan to which the Williams entities have agreed. The revisions to the March 2003 Agreement are contained in Appendix C to the Agreement. The revisions to the March 2003 Agreement reduce restrictions on Williams with respect to acquiring transportation capacity on an affiliated pipeline and providing specified services with respect to new sales customers. The Agreement also states that the section of the March 2003 Agreement that contains restrictions on Williams' ability to conduct certain pipeline-related business will expire three years after the Effective Date of the Agreement the Commission approves today.

### **Conclusion**

10. The Commission finds that the Agreement with the Williams entities is fair and reasonable and in the public interest. The Agreement resolves issues and provides for remedies that address the conduct described in the Agreement.

#### **The Commission orders:**

(A) The Commission approves the attached Stipulation and Consent Agreement without modification.

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<sup>13</sup> *Transcontinental Gas Pipe Line Corp.*, 102 FERC ¶ 61,302 (2003).

(B) The Commission's approval of the Agreement does not constitute precedent regarding any principle or issue in any proceeding.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

**Stipulation and Consent Agreement  
To Be Submitted To  
Federal Energy Regulatory Commission**

**I. INTRODUCTION**

The Office of Market Oversight and Investigations (OMOI), The Williams Companies, Inc. (Williams), and its indirectly wholly-owned subsidiaries Williams Power Company, Inc. (WPC) and Transcontinental Gas Pipe Line Corporation (Transco) enter into this Stipulation and Consent Agreement (Agreement). The Agreement resolves all issues that are specifically addressed herein pertaining to liability or potential liability of Williams, WPC and Transco arising from a non-public investigation that the Enforcement Division of OMOI (Enforcement) conducted pursuant to Part 1b of the Commission's regulations.

**II. STIPULATED FACTS**

OMOI, Williams, WPC and Transco hereby stipulate and agree to the following:

A. Williams is a large, integrated energy company and through its subsidiaries and affiliates, Williams owns and operates approximately 15,000 miles of interstate natural gas pipelines that have a design capacity of approximately 12 billion cubic feet (Bcf) per day and that deliver approximately 12 percent of the natural gas consumed in the United States. WPC is a marketing affiliate of Transco, as it was during the period August 2001 through June 2002 (the Relevant Period) when it was acting under its former name Williams Energy Marketing & Trading Company (WEMT). WPC is an active seller and trader of electric power and natural gas. Transco is a natural-gas company subject to the Commission's jurisdiction under the Natural Gas Act (NGA). Transco operates an interstate natural gas pipeline that extends from production areas in Texas and Louisiana north through Eastern states to New York City. Transco has a system - wide delivery capacity of approximately 8.1 Bcf per day. Transco's system includes approximately 10,500 miles of mainline and branch transmission pipelines, five underground

storage fields and one LNG storage facility. Transco owns and operates storage at its Eminence, Hester and Washington fields. It also has an ownership interest and/or capacity rights in storage facilities operated by other entities at the Wharton, Oakford and Leidy storage fields, all located in Pennsylvania. For example, Transco owns rights to approximately 62 Bcf of working gas capacity in fields owned or operated by Dominion Transmission, Inc. The total usable storage capacity at the storage fields operated by Transco, at the LNG storage facility operated by Transco and under storage contracts at the storage facilities operated by other entities is approximately 216 Bcf per year. Transco offers firm and interruptible storage service. Transco's firm storage service is offered as a stand-alone service or combined with firm transportation and bundled no-notice service. During the Relevant Period, Transco conducted transportation pursuant to contracts executed under section 311 of the Natural Gas Policy Act of 1978 (NGPA). At all times during the Relevant Period, Transco was subject to the Commission's Standards of Conduct for interstate pipelines, which, among other things, contained rules regarding the communication of information from an interstate pipeline company such as Transco to a marketing affiliate such as WEMT.

B. From August 2001 until May 2002, the American Gas Association (AGA) published a report of storage inventory levels (the AGA report) on Wednesday of each week at 2:00 p.m. Eastern Time. The AGA report was based on a survey of certain natural gas inventories in underground storage facilities in the United States. The weekly inventory levels AGA reported were estimates of the aggregate volumes of working gas as of the week ending the Friday immediately preceding the Wednesday release of the report. Changes in reported inventory levels reflected events affecting working gas in storage for the surveyed companies, including injections, withdrawals, and reclassifications between base gas and working gas. The



AGA issued its report using a national and three regional categories: Eastern Consuming, Western Consuming and Producing Area. In May 2002, the AGA ceased publishing its weekly storage report and the United States Department of Energy's Energy Information Administration (EIA) began issuing a weekly natural gas storage report (the EIA report). The EIA has issued its weekly storage report each Thursday (excepting holidays) at 10:30 a.m. for the week ending the immediately preceding Friday.

C. During the Relevant Period, Transco pipeline operations personnel provided weekly storage inventory information to AGA and then to EIA for the purpose of AGA and then EIA compiling and making public weekly natural gas storage reports. The weekly storage inventory information that Transco provided to AGA and then EIA consisted of working gas levels in underground storage facilities that Transco owned and operated. This information did not consist of working gas levels in underground storage facilities in which Transco had less than a one hundred percent ownership interest. During the Relevant Period, Transco did not post on its electronic bulletin board (EBB) or Internet website daily or weekly inventory or net aggregate injection and/or withdrawal storage information for the preceding week.

D. At various times during the Relevant Period, a Transco pipeline operations employee with the job title Team Leader Gas Control (Transco Team Leader) provided by telephone prior to the release that week of the AGA/EIA report, Transco's weekly, actual net aggregate storage injection or withdrawal information for the previous week (Non-Public Storage Information) to one of three WEMT natural gas traders. The Transco Team Leader provided the Non-Public Storage Information to the WEMT natural gas traders in the form of a single number, expressed in Bcf, which was the net injection or withdrawal for the previous week. Other than the WEMT traders, the Transco Team Leader did not recall providing this

information to anyone else not employed by Transco. OMOI has concluded that WEMT traders first requested from the Transco Team Leader Transco's Non-Public Storage Information in August 2001, and asked for this information almost every week through June 2002. OMOI believes the WEMT traders used the Non-Public Storage Information to improve their ability to anticipate the AGA/EIA weekly storage report and to assess market conditions. The Non-Public Storage Information provided to WEMT natural gas traders by the Transco Team Leader was not the information that Transco provided to the AGA and then to the EIA. The Non-Public Storage Information that the Transco Team Leader provided to the WEMT natural gas traders was the net of storage injections and withdrawals for all storage services available to Transco, including underground storage and LNG facilities owned, under contract or operated by Transco. The supervisor of the Transco Team Leader was not aware of any policy that prohibited Transco personnel from providing the Non-Public Storage Information to anyone outside of Transco who requested it.

E. The Transco Team Leader is a highly knowledgeable and capable employee with substantial authority. During the Relevant Period, he had an intimate knowledge of all facets of Transco's physical pipeline operations, including a detailed knowledge of operations at compressor stations, meter and regulator stations and storage operations on Transco's system. He was responsible for reporting weekly storage inventory information to AGA and EIA.

F. During the Relevant Period, two of the three WEMT natural gas traders who received Non-Public Storage Information from the Transco Team Leader regularly communicated that information to a WEMT analyst whose job responsibilities included creating and disseminating an internal forecast of the weekly AGA report and then the EIA report. The WEMT analyst disseminated his weekly forecast of the AGA report and then the EIA

report to WEMT natural gas traders. OMOI believes that forecasting these reports was valuable to WEMT because the shift in commodity prices that usually followed the issuance of these reports created trading risk and profit opportunities. OMOI further believes the Non-Public Storage Information had value with respect to anticipating the AGA report and then the EIA report.

G. During the Relevant Period, the WEMT analyst communicated the Non-Public Storage Information to the Director of Natural Gas Trading, Alliance for Cooperative Energy Services Power Marketing LLC, also known as ACES Power Marketing (APM) (APM trader). APM does not own, and did not own during the Relevant Period, any natural gas storage or pipeline facilities. In addition, the APM trader frequently provided to the WEMT analyst during the Relevant Period the non-public weekly or daily net aggregate actual storage injection and withdrawal information of two interstate pipeline companies, Dominion Transmission, Inc. and Columbia Gas Transmission Corporation.

H. OMOI has determined that Transco's Team Leader should have known that he should not have provided the Non-Public Storage Information during the Relevant Period to WEMT traders because it was not available at the same time to other Transco customers and the public. OMOI believes that the WEMT analyst knew or should have known that the Non-Public Storage Information he communicated to the APM trader during the Relevant Period could have benefited APM in its commodity and transportation-related activities.

I. On March 17, 2003, the Federal Energy Regulatory Commission issued an order approving a Stipulation and Consent Agreement among Williams, WEMT, Transco and Enforcement in Docket Nos. IN02-1-000 and FA02-4-000 (March 2003 Stipulation). *Transcontinental Gas Pipe Line Corporation*, 102 FERC ¶ 61,302 (2003). The March

2003 Stipulation contained certain restrictions in Section IV.3, with respect to the ability of Williams marketing affiliates to conduct business on affiliated pipelines. The restrictions in Section IV.3, do not have an expiration date. Changed circumstances at Williams since March 2003 and uncertainty regarding the precise meaning and application of provisions in Section IV.3. of the March 2003 Stipulation render clarification and amendments to this Section IV.3 appropriate. Further, the March 2003 Stipulation contains a provision regarding release of liability in Section V.5. Enforcement, on the one hand, and Williams, WEMT and Transco, on the other hand, have disputed the application of Section V.5. to both the instant investigation and the facts set forth in Section II of this Agreement. The Remedies and Penalties set forth in Section V of the Agreement take into account this dispute.

J. The Effective Date of this Agreement is 5 days after the date the Commission's Order approving the Agreement without modification becomes no longer subject to rehearing.

### **III. OMOI'S POSITION REGARDING VIOLATIONS AND ALLEGED VIOLATIONS**

A. OMOI believes that when the Transco Team Leader communicated Transco's Non-Public Storage Information during the Relevant Period to natural gas traders employed by WEMT, a marketing affiliate of Transco, Transco violated section 161.3(f) of the Commission's regulations, 18 C.F.R. § 161.3(f) (2002), which was in effect during the Relevant Period.

B. OMOI believes that when the WEMT analyst communicated Transco's Non-Public Storage Information to a trader employed by APM, a participant in the wholesale gas market, Transco and WEMT provided APM an undue preference with respect to sales of natural gas subject to the jurisdiction of the Federal Energy Regulatory Commission, in violation of section 4(b) of the Natural Gas Act.

#### **IV. WILLIAMS, WPC AND TRANSCO'S POSITIONS REGARDING VIOLATIONS AND ALLEGED VIOLATIONS**

A. Transco admits that when the Transco Team Leader communicated Non-Public Storage Information during the Relevant Period to natural gas traders employed by WEMT, a marketing affiliate of Transco, Transco violated section 161.3(f) of the Commission's regulations, 18 C.F.R. § 161.3(f) (2002), which was in effect during the Relevant Period.

B. Each of Transco, Williams and WPC neither admits nor denies that when the WEMT analyst communicated Transco's Non-Public Storage Information to a trader employed by APM, a participant in the wholesale gas market, Transco and WEMT provided APM an undue preference with respect to sales of natural gas subject to the jurisdiction of the Federal Energy Regulatory Commission, in violation of section 4(b) of the Natural Gas Act.

C. Each of Transco, Williams and WPC neither admits nor denies that either Transco or WPC or any of their respective affiliates were unjustly enriched by or otherwise profited from the activities alleged, asserted, described and enumerated in this Agreement. Transco, Williams and WPC are entering into this Agreement to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty and to effect a complete and final settlement of the investigation in Docket No. IN04-2-001 with respect to Transco, Williams and WPC.

#### **V. REMEDIES AND PENALTIES**

A. Transco shall refund to the customers identified in Appendix A to the Agreement the sum of \$4,000,000. Transco shall disburse the refunds to these customers in the amounts and in the manner indicated in Appendix A. Within 10 days of the Effective Date of this Agreement, Transco shall, in the docket in which the Commission approves the Agreement, file a certification stating that the refunds described in this paragraph have been made.

B. The method used to prepare Appendix A is as follows. Transco has allocated the

total refund of \$4,000,000 among its non-affiliated firm storage service customers in proportion to each customer's share of the total firm storage reservation revenues (demand and capacity) paid to Transco applicable to services rendered from August 2001 through June 2002. The refund is to be paid to each customer by means of a cash payment via check or wire transfer. Where a refund amount due to any customer is less than \$50,000, Transco shall have the option to provide the refund by means of a credit to the customer bill, which shall be separately identified as a refund attributable to implementation of the Agreement.

C. Within 10 days of the Effective Date of this Agreement, Transco shall pay to the United States Treasury a civil penalty in the sum of \$3,600,000 by delivering a certified check made payable to Federal Energy Regulatory Commission, Lockbox 93938, Chicago, Illinois 60673 or by making a wire transfer.

D. Transco, Williams and WPC shall comply with the Compliance Plan set forth in Appendix B. Failure to comply with any provision of the Compliance Plan may result in action by OMOI.

## **VI. TERMS**

A. On the date the Commission approves this Agreement without modification, this Agreement shall resolve as to Williams and any affiliated entity including, but not limited to, Transco and WPC, their respective agents, officers, directors and employees, both past and present (collectively, the Williams Released Parties), and the Commission shall release and be forever barred from bringing against any of the Williams Released Parties any and all administrative or civil claims or matters asserting any claims, liabilities, causes of action, demands, rights, alleged entitlements, obligations, known or unknown, asserted or not asserted, vested or unvested arising out of, related to or connected with any and all activities of the Williams Released Parties prior to April 17, 2003 with respect to compliance with: (i) Standards

of Conduct, 18 C.F.R. § 161.3 (2003); or (ii) any law, regulation, order, standard or rule related in any way to the matters, known or unknown, arising out of, related to or connected with the investigation in this proceeding. The release provision set out above shall in no way negate or otherwise affect the validity, construction or application of the release provision contained in the March 2003 Stipulation and Consent Agreement.

B. This paragraph clarifies Paragraph 3.b.1. of Section IV.3. of the March 2003 Stipulation, as follows: Any entity subject to paragraph 3.a. without restriction or limitation may acquire transportation capacity on any affiliated pipeline that is released by any nonaffiliated shipper on that pipeline. Paragraph 3 of Section IV of the March 2003 Stipulation, as revised by this paragraph, is reprinted in Appendix C using redline/strikeout to denote the changes. In addition, this paragraph amends Section IV.3. of the March 2003 Stipulation as follows:

1. Paragraph IV.3.c. of the March 2003 Stipulation is deleted and of no further force or effect.
2. The following Paragraph 3.d. is added to Section IV: “Notwithstanding Paragraph 3.a. above, on or after the Effective Date of the Stipulation and Consent Agreement in Docket No. IN04-2-001, Williams Power Company, Inc. and its successor(s) may obtain capacity from an Affiliated Pipeline, which capacity may be used to ship third party gas on an interim basis if the entire capacity is intended for a use described in Paragraph IV.3.b.2”;
3. The clarification, deletion and amendment of the March 2003 Stipulation specified above shall be effective upon the Effective Date of this Agreement; and
4. Section IV.3. of the March 2003 Stipulation, as herein amended, shall expire three years after the Effective Date, provided that if OMOI believes that, subsequent to the Effective Date of this Agreement, Transcontinental Gas Pipe Line Corporation or Northwest Pipeline

Corporation committed a material violation of the Standards of Conduct promulgated in Order No. 2004 *et seq.*, or Market Behavior Rules promulgated in Order No. 644 *et seq.*, as they may be amended, succeeded or supplanted, OMOI will notify Williams of OMOI's position.

Williams will have 21 days to respond. If after reviewing Williams' response OMOI reasonably determines such a material violation occurred, OMOI may extend the effectiveness of Section IV.3. of the March 2003 Stipulation, as amended, up to an additional two years.

C. Failure to make a timely civil penalty payment or otherwise comply with any provision of this Agreement shall be deemed a violation of a final order of the Commission issued pursuant to the NGA and the NGPA and may subject Williams, WPC and Transco to additional action under the enforcement and penalty provisions of the NGA and/or the NGPA. Further, failure to make timely civil penalty or refund payment may result in a Commission order declaring this Agreement void and proceeding in any manner authorized by the NGA and/or the NGPA as if this Agreement had not been executed.

D. The signatories to the Agreement agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of OMOI, Williams, WPC or Transco has been made to induce any other party to enter into the Agreement.

E. If the Commission does not issue an order which becomes final approving the Agreement, without modification, the Agreement shall be null and void, unless otherwise agreed in writing by OMOI, Williams, WPC and Transco.

F. The undersigned representatives of Williams, WPC and Transco, respectively, affirm that they have each read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of their knowledge, information and belief, and that they understand that the Agreement is entered into by OMOI in express reliance on those



representations.

G. The Agreement binds Williams, WPC and Transco and their agents, successors and assigns, including any joint venture wherein Williams acquires a fifty percent or greater interest in an entity in the business of trading natural gas or electric power. With respect to any joint venture, any obligations under Appendix B to the Agreement, the Compliance Plan, shall apply exclusively to the joint venture and not thereby to any owner of an interest in the joint venture. Existing or future joint ventures involving exploration and production entities or transportation or storage entities are also excluded from any requirements contained in this Agreement, including Appendix B. Any joint venture obligation imposed by this Agreement shall expire three (3) years after the Effective Date of this Agreement. As used in this Paragraph, “an entity in the business of trading natural gas or electric power” or “trading entity” shall mean a business entity engaged in trading activity substantially similar to the trading activity conducted by WPC.

H. In connection with the payment of the civil penalty provided for herein, Transco, Williams and WPC agree that the Commission’s order approving the Agreement shall be a final and unappealable order assessing a civil penalty under section 504 of the NGPA, 15 U.S.C. § 3414 (2000). With regard to such civil penalty, Williams, WPC and Transco waive a Notice of Proposed Penalty under section 504(b)(6)(E) of the NGPA, 15 U.S.C. § 3414(b)(6)(E) (2000); hearings pursuant to the applicable provisions of the NGPA; the filing of proposed findings of fact and conclusions of law; an Initial Decision by an administrative law judge pursuant to the Commission’s Rules of Practice and Procedure; and post-hearing procedures pursuant to the Commission’s Rules of Practice and Procedure.

I. Williams, WPC and Transco waive judicial review by any court of any Commission order approving the Agreement without modification.

J. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity and accepts the Agreement on the entity's behalf.

K. The Appendices referenced in the Agreement and attached hereto are expressly made part of, and incorporated in, the Agreement.

L. By this Agreement, Enforcement, Transco, WPC and Williams agree that, as of the Effective Date, all tolling agreements shall be void and record preservation requirements imposed by Enforcement and OMOI in the investigation of this matter shall terminate.

M. The Agreement may be signed in counterparts.

Agreed to and accepted:

\_\_\_\_\_  
William F. Hederman, Director  
Office of Market Oversight and Investigations

\_\_\_\_\_  
Date

\_\_\_\_\_  
[name and title]  
The Williams Companies, Inc.

\_\_\_\_\_  
Date

\_\_\_\_\_  
[name and title]  
The Williams Power Company, Inc.

\_\_\_\_\_  
Date

\_\_\_\_\_  
[name and title]  
Transcontinental Gas Pipe Line Corporation

\_\_\_\_\_  
Date

TRANSCONTINENTAL GAS PIPE LINE CORPORATION  
Refund on Storage Demand and Capacity Revenue  
For August 2001 through June 2002

Billable Party Name	Billable Party Number	Percentage of Storage Demand Revenue	Refund Amount Based On Storage Demand \$	Percentage of Storage Capacity Revenue	Refund Amount Based On Storage Capacity \$	Total Refund \$
ACN POWER	7971	0.00%	0.00	0.01%	200.00	200.00
ALABAMA GAS CORPORATION (CLANTON)	3002	0.00%	0.00	0.01%	200.00	200.00
ALABAMA GAS CORPORATION (LINDEN)	5046	0.00%	0.00	0.00%	0.00	0.00
ALABAMA GAS CORPORATION (THOMASTON)	28605	0.00%	0.00	0.00%	0.00	0.00
ATLANTA GAS LIGHT COMPANY	21525	8.09%	161,800.00	6.53%	130,600.00	292,400.00
BROOKLYN UNION GAS COMPANY	21995	12.67%	253,400.00	13.28%	265,600.00	519,000.00
CHESAPEAKE UTILITIES CORP. MARYLAND DIV.	7759	0.00%	0.00	0.01%	200.00	200.00
CHESAPEAKE UTILITIES CORP.-DELAWARE DIV.	7758	0.01%	200.00	0.03%	600.00	800.00
CITY OF ALEXANDER CITY, ALABAMA	21325	0.01%	200.00	0.02%	400.00	600.00
CITY OF BESSEMER CITY, NORTH CAROLINA	21750	0.00%	0.00	0.01%	200.00	200.00
CITY OF BLACKSBURG, SOUTH CAROLINA	21900	0.00%	0.00	0.01%	200.00	200.00
CITY OF BOWMAN, GEORGIA	21925	0.00%	0.00	0.00%	0.00	0.00
CITY OF BUFORD, GEORGIA	22045	0.01%	200.00	0.03%	600.00	800.00
CITY OF BUTLER, ALABAMA	22085	0.00%	0.00	0.00%	0.00	0.00
CITY OF COMMERCE, GEORGIA	22385	0.00%	0.00	0.01%	200.00	200.00
CITY OF COVINGTON, GEORGIA	22435	0.01%	200.00	0.02%	400.00	600.00
CITY OF DANVILLE, VIRGINIA	22575	0.19%	3,800.00	0.28%	5,600.00	9,400.00
CITY OF ELBERTON, GEORGIA	23110	0.00%	0.00	0.01%	200.00	200.00
CITY OF FOUNTAIN INN, SOUTH CAROLINA	23650	0.01%	200.00	0.01%	200.00	400.00
CITY OF GREENWOOD, SOUTH CAROLINA	23970	0.04%	800.00	0.09%	1,800.00	2,600.00
CITY OF GREER, SOUTH CAROLINA	23980	0.01%	200.00	0.02%	400.00	600.00
CITY OF HARTWELL, GEORGIA	24170	0.01%	200.00	0.01%	200.00	400.00
CITY OF KINGS MOUNTAIN, NORTH CAROLINA	25465	0.01%	200.00	0.02%	400.00	600.00
CITY OF LAURENS, SOUTH CAROLINA	25660	0.06%	1,200.00	0.09%	1,800.00	3,000.00
CITY OF LAWRENCEVILLE, GEORGIA	25670	0.01%	200.00	0.02%	400.00	600.00
CITY OF LEXINGTON, NORTH CAROLINA	25740	0.07%	1,400.00	0.09%	1,800.00	3,200.00
CITY OF MADISON, GEORGIA	25900	0.00%	0.00	0.01%	200.00	200.00
CITY OF MONROE, GEORGIA	26230	0.01%	200.00	0.03%	600.00	800.00
CITY OF ROANOKE, ALABAMA	27760	0.00%	0.00	0.01%	200.00	200.00
CITY OF ROYSTON, GEORGIA	27840	0.00%	0.00	0.00%	0.00	0.00
CITY OF SHELBY, NORTH CAROLINA	28085	0.04%	800.00	0.07%	1,400.00	2,200.00
CITY OF SOCIAL CIRCLE, GEORGIA	28200	0.00%	0.00	0.00%	0.00	0.00
CITY OF SUGAR HILL, GEORGIA	28420	0.00%	0.00	0.01%	200.00	200.00
CITY OF TOCCOA, GEORGIA	28665	0.02%	400.00	0.03%	600.00	1,000.00

TRANSCONTINENTAL GAS PIPE LINE CORPORATION  
 Refund on Storage Demand and Capacity Revenue  
 For August 2001 through June 2002

Billable Party Name	Billable Party Number	Percentage of Storage Demand Revenue	Refund Amount Based On Storage Demand \$	Percentage of Storage Capacity Revenue	Refund Amount Based On Storage Capacity \$	Total Refund \$
CITY OF UNION, SOUTH CAROLINA	28935	0.04%	800.00	0.05%	1,000.00	1,800.00
CITY OF WINDER, GEORGIA	29380	0.01%	200.00	0.02%	400.00	600.00
CLINTON-NEWBERRY NATURAL GAS AUTHORITY	22356	0.06%	1,200.00	0.15%	3,000.00	4,200.00
COLUMBIA GAS OF VIRGINIA, INC.	4063	0.04%	800.00	0.05%	1,000.00	1,800.00
CONSOLIDATED EDISON COMPANY OF N.Y. INC.	22395	5.40%	108,000.00	5.85%	117,000.00	225,000.00
DELMARVA POWER & LIGHT COMPANY	22650	1.06%	21,200.00	1.58%	31,600.00	52,800.00
DYNEGY GAS TRANSPORTATION, INC.	8955	0.17%	3,400.00	0.42%	8,400.00	11,800.00
DYNEGY MARKETING AND TRADE	8924	0.21%	4,200.00	0.53%	10,600.00	14,800.00
EAST CENTRAL ALABAMA GAS DISTRICT	22835	0.00%	0.00	0.01%	200.00	200.00
EASTERN SHORE NATURAL GAS COMPANY	22865	0.26%	5,200.00	0.23%	4,600.00	9,800.00
ENERGY AMERICA LLC	7854	0.02%	400.00	0.05%	1,000.00	1,400.00
ENTERGY-KOCH TRADING, LP	9161	0.01%	200.00	0.03%	600.00	800.00
FORT HILL NATURAL GAS AUTHORITY	23640	0.06%	1,200.00	0.08%	1,600.00	2,800.00
INFINITE ENERGY, INC.	7725	0.02%	400.00	0.04%	800.00	1,200.00
KCS ENERGY MANAGEMENT SERVICES, INC.	5067	0.65%	13,000.00	0.35%	7,000.00	20,000.00
KEYSPAN GAS EAST CORP DBA KEYSPAN LONG I	8157	9.77%	195,400.00	7.86%	157,200.00	352,600.00
LONG ISLAND LIGHTING COMPANY	25810	2.23%	44,600.00	1.77%	35,400.00	80,000.00
MAPLESVILLE WATER & GAS BOARD	25945	0.00%	0.00	0.00%	0.00	0.00
NEW JERSEY NATURAL GAS COMPANY	26400	1.59%	31,800.00	0.85%	17,000.00	48,800.00
NORTH CAROLINA GAS SERVICE	26510	0.18%	3,600.00	0.30%	6,000.00	9,600.00
NORTH CAROLINA NATURAL GAS CORPORATION	26520	0.55%	11,000.00	1.29%	25,800.00	36,800.00
NUI CORPORATION	7391	2.19%	43,800.00	2.18%	43,600.00	87,400.00
NUI UTILITIES, INC.	8801	1.31%	26,200.00	1.46%	29,200.00	55,400.00
OWENS-CORNING FIBERGLAS CORPORATION	27120	0.08%	1,600.00	0.21%	4,200.00	5,800.00
PECO ENERGY COMPANY	5211	3.80%	76,000.00	3.14%	62,800.00	138,800.00
PHILADELPHIA GAS WORKS	27375	3.02%	60,400.00	4.47%	89,400.00	149,800.00
PIEDMONT NATURAL GAS COMPANY	27390	2.58%	51,600.00	3.11%	62,200.00	113,800.00
PPL GAS UTILITIES CORPORATION	7999	0.09%	1,800.00	0.17%	3,400.00	5,200.00
PRIOR ENERGY CORPORATION	4199	0.01%	200.00	0.03%	600.00	800.00
PS ENERGY GROUP, INC.	7850	0.01%	200.00	0.01%	200.00	400.00
PSEG ENERGY RESOURCES AND TRADE, LLC	7536	2.46%	49,200.00	3.03%	60,600.00	109,800.00
PUBLIC SERVICE COMPANY OF N. C. INC.	27500	1.57%	31,400.00	2.40%	48,000.00	79,400.00
PUBLIC SERVICE ELECTRIC & GAS COMPANY	27510	19.99%	399,800.00	21.08%	421,600.00	821,400.00
SCANA ENERGY MARKETING, INC.	5372	0.20%	4,000.00	0.50%	10,000.00	14,000.00
SHELL ENERGY SERVICES CO. LLC	7826	0.16%	3,200.00	0.40%	8,000.00	11,200.00

TRANSCONTINENTAL GAS PIPE LINE CORPORATION  
 Refund on Storage Demand and Capacity Revenue  
 For August 2001 through June 2002

Billable Party Name	Billable Party Number	Percentage of Storage Demand Revenue	Refund Amount Based On Storage Demand \$	Percentage of Storage Capacity Revenue	Refund Amount Based On Storage Capacity \$	Total Refund \$
SOUTH CAROLINA PIPELINE CORPORATION	22200	0.21%	4,200.00	0.47%	9,400.00	13,600.00
SOUTH JERSEY GAS COMPANY	28260	7.41%	148,200.00	6.21%	124,200.00	272,400.00
SOUTHERN UNION COMPANY	7941	7.33%	146,600.00	4.67%	93,400.00	240,000.00
SOUTHSTAR ENERGY SERVICES, LLC	7835	0.27%	5,400.00	0.68%	13,600.00	19,000.00
SOUTHWESTERN VIRGINIA GAS COMPANY	28290	0.06%	1,200.00	0.09%	1,800.00	3,000.00
THE NEW POWER COMPANY	7946	0.10%	2,000.00	0.24%	4,800.00	6,800.00
TOWN OF LIBERTY, MISSISSIPPI	25750	0.00%	0.00	0.00%	0.00	0.00
TOWN OF ROCKFORD, ALABAMA	27795	0.00%	0.00	0.00%	0.00	0.00
TOWN OF WADLEY, ALABAMA	29260	0.00%	0.00	0.00%	0.00	0.00
TOWN OF WEDOWEE, ALABAMA	29375	0.00%	0.00	0.00%	0.00	0.00
TRI-COUNTY NATURAL GAS COMPANY	28805	0.01%	200.00	0.02%	400.00	600.00
UGI UTILITIES, INC.	5057	1.43%	28,600.00	0.82%	16,400.00	45,000.00
UNITED CITIES GAS CO., GEORGIA DIVISION	28950	0.16%	3,200.00	0.26%	5,200.00	8,400.00
VIRGINIA NATURAL GAS, INC.	3265	0.18%	3,600.00	0.35%	7,000.00	10,600.00
WASHINGTON GAS LIGHT COMPANY.	29320	1.76%	35,200.00	1.72%	34,400.00	69,600.00
		<u>100.00%</u>	<u>2,000,000.00</u>	<u>100.00%</u>	<u>2,000,000.00</u>	<u>4,000,000.00</u>

## **The Williams Companies, Inc. Compliance Plan**

This Compliance Plan is an Appendix to the Stipulation and Consent Agreement (Agreement) in Docket No. IN04-2-001 executed by the Office of Market Oversight and Investigations (OMOI), Federal Energy Regulatory Commission, The Williams Companies, Inc. (Williams), The Williams Power Company, Inc. (WPC) and Transcontinental Gas Pipe Line Corporation (Transco).

Williams, WPC and Transco shall execute this Compliance Plan by taking the steps and implementing the practices and procedures set forth herein. Nothing in this Compliance Plan relieves Williams, WPC, Transco or any energy affiliate of Williams from complying with the Commission's rules and regulations currently in effect and as they may be amended.

### **I. CONSTRUCTION OF THIS COMPLIANCE PLAN WITH THE COMPLIANCE PLAN IN DOCKET NOS. IN02-1-000 AND FA02-4-000 AND EFFECTIVE DATE**

A. On March 17, 2003, the Commission issued an order in Docket Nos. IN02-1-000 and FA02-4-000 approving a Stipulation and Consent Agreement executed by OMOI's Division of Enforcement (Enforcement), The Williams Companies, Inc., Williams Energy Marketing & Trading Company and Transcontinental Gas Pipe Line Corporation (March 2003 Stipulation). An Appendix to that Stipulation and Consent Agreement contains a Compliance Plan (March 2003 Compliance Plan) that expires on April 16, 2007. The March 2003 Compliance Plan contains provisions for a Compliance Officer and other provisions that are co-extensive with provisions in this Compliance Plan. Where such co-extensive provisions exist, the provisions of both the March 2003 Compliance Plan and this Compliance Plan shall apply, except that duplication of the same practices and procedures is not required. A single Compliance Officer may satisfy the requirements of both compliance plans.

B. In the event that varying or conflicting terms in the March 2003 Compliance Plan and this Compliance Plan may exist, OMOI, Williams, WPC and Transco shall attempt to resolve the conflict or variation on a mutually agreeable basis. If the conflict or variation cannot be so resolved, OMOI, Williams, WPC and Transco shall adhere to the terms of this Compliance Plan. This Compliance Plan shall be effective upon the Effective Date of the Agreement.

### **II. COMPLIANCE OFFICER**

A. Williams shall appoint a Compliance Officer and identify that person in writing to OMOI within 30 days of the Effective Date of the Agreement. Williams must identify in writing all succeeding Compliance Officers to OMOI within 30 days of appointment. Williams must have a Compliance Officer or Acting Compliance Officer in place at all times. Neither WPC nor other Williams energy affiliate employee or officer personnel responsible for trading shall have authority to appraise the Compliance Officer's performance, set or influence the Compliance Officer's compensation, or hire or fire the Compliance Officer.

B. The Compliance Officer shall be responsible for training natural gas and electric power traders and schedulers of WPC and all other natural gas and electric power traders and schedulers of energy affiliates of Williams (Applicable Employees) with respect to compliance with the following Commission requirements that include, but are not limited to,: (1) Standards of Conduct regulations issued in Order No. 2004, *et alia*; (2) Market Behavior Rules issued in Order No. 644 *et alia*; (3) Public utility terms and conditions for market-based rate authority set forth in Docket No. EL01-118-000 *et alia*.; and (4) tariffs on file to the extent relevant to the Applicable Employees (collectively, Commission Requirements). Upon promulgation of additional compliance requirements by the Commission, OMOI may expand the subject matter of the training requirement. To fulfill this training obligation, the Compliance Officer must perform the following tasks:

1. Create written Materials that explain the purposes and substance of the Commission Requirements. The Written Materials must explain how employees through the execution of their daily work functions can satisfy these Requirements. The Written Materials must include salient examples of conduct prohibited by these Requirements. The Written Materials must be written in terms comprehensible to their intended audience. The Written Materials must be updated in light of known employee conduct with respect to these Requirements; questions from employees indicating one or more omissions or vagueness or confusion in the materials; and Commission revision of the Requirements. Within 90 days of the Effective Date of the Agreement, the Compliance Officer shall provide a copy of the Written Materials to OMOI for approval.

2. Annually provide the Written Materials, via hardcopy or electronically, to all Applicable Employees and annually provide training by Oral Instruction lasting at least one hour to all Applicable Employees. The Oral Instruction shall include a review and explanation of the Written Materials and an opportunity for Applicable Employees to ask questions and receive answers. All Applicable Employees shall sign a document acknowledging receipt of the Written Materials and attendance at the Oral Instruction. Williams shall retain copies of these documents for at least four years.

C. The Compliance Officer shall create a “FERC Compliance Practices” document that will identify and define the practices Applicable Employees shall use to comply with Commission Requirements. The FERC Compliance Practices document shall set forth the Commission Requirements and apply them to the work functions of Applicable Employees in a practical and constructive manner. The purpose of the FERC Compliance Practices document shall be to provide Applicable Employees a convenient reference to the Commission Requirements and a guide to comply with them. The FERC Compliance Practices document should be used with Written Materials for instructional purposes. The FERC Compliance Practices document should provide a reference to help determine whether employee conduct that may be inconsistent with any Commission Requirement has actually violated a Commission Requirement. The FERC Compliance Practices document must be updated periodically in light of known employee conduct with respect to these Requirements; questions from employees indicating one or more omissions or vagueness or confusion in the materials; and Commission revision of the requirements. The Compliance Officer shall provide a copy of the FERC Compliance Practices document to OMOI within 120 days of Effective Date of the Agreement. The Compliance Officer must provide OMOI all updates to the FERC Compliance Practices document within 30 days of the update.

D. With respect to natural gas and electric power, the Compliance Officer will list in writing all instruments that may be traded and all trading strategies that may be used (Permissible Trading Instruments and Permissible Strategies document). Applicable Employees may only use Permissible Trading Instruments and Permissible Strategies identified in this document, which shall be provided to all Applicable Employees. The Compliance Officer will amend the Permissible Trading Instruments and Permissible Strategies document as necessary and provide revised copies of this document to Applicable Employees. Each Applicable Employee shall sign a document signifying receipt of the Permissible Trading Instruments and Permissible Strategies document. Williams shall preserve a copy of the Permissible Trading Instruments and Permissible Strategies document and all amended versions thereof, for four years from the Effective Date of the Agreement. Williams shall provide OMOI a copy of the Permissible Trading Instruments and Permissible Strategies document within 120 from the Effective Date of the Agreement.

E. With respect to natural gas and electric power, the Compliance Officer shall list in writing all prohibited trading strategies (Prohibited Trading Strategies) and prohibited trades (Prohibited Trades), which shall be contained in a Prohibited Trading Strategies and Prohibited Trades document. When creating this Prohibited Trading Strategies and Prohibited Trades document, the Compliance Officer will consider Commission Requirements; the spirit of Commission Requirements; practical trading experience; the trading environment, including applicable trading rules, incentives and opportunities; and ethics. The Prohibited Trading Strategies and Prohibited Trades document shall be provided to all Applicable Employees. Each Applicable Employee shall sign a document signifying receipt of the Prohibited Trading Strategies and Prohibited Trades document. The Compliance Officer shall amend the Prohibited Trading Strategies and Prohibited Trades document as appropriate and provide revised copies to all Applicable Employees. Williams shall preserve a copy of the Prohibited Trading Strategies and Prohibited Trades document, and all amended versions of this document, for four years from the Effective Date of the Agreement. Williams shall provide OMOI a copy of the Prohibited Trading Strategies and Prohibited Trades document within 120 days from the Effective Date of the Agreement.

F. Williams' Board of Directors shall approve the Prohibited Trading Strategies and Prohibited Trades document. The Compliance Officer shall provide a document to OMOI attesting to the approval of the Prohibited Trading Strategies and Prohibited Trades document by the Williams Board of Directors within 30 days of the date that that document was approved. Williams' Board of Directors must approve all amendments to this document. The Compliance Officer shall provide a document to OMOI attesting to the approval of all amendments to this document within 30 days of the date the amendment was approved.

G. At least annually, the Compliance Officer shall provide to OMOI process guidelines relative to natural gas and electric power trading activity by all Applicable Employees containing a description of the daily chain of processes by which trades are executed and systematically captured, beginning from the execution of the trade, its subsequent recording, closing and accounting treatment. The process guidelines shall also capture bid and offer processes relative to all trading activity. The process guidelines shall also include monthly, annual and other periodic or occasional processes by which trades are captured, assessed or accounted for. The process guidelines shall also identify by name processes, computer software



and electronic programs used. The Compliance Officer shall provide a copy of the process guidelines to OMOI within 90 days of the Effective Date of the Agreement. The Compliance Officer will provide any material change in the processes described herein to OMOI within 30 days of the close of any calendar quarter. Williams shall provide upon request an identification of hardware used in connection with the process guidelines. The identification of hardware shall apply to the hardware that is in use at the time of the request.

H. The Compliance Officer or Williams Chief Compliance Officer shall report directly to Williams' Board of Directors at approximately six month intervals. The Compliance Officer or Williams Chief Compliance Officer will report to Williams' Board of Directors: (1) material infractions of the Commission Requirements; (2) methods used to ensure compliance with Commission Requirements; and (3) all other significant items with respect to compliance with Commission Requirements.

I. The Compliance Officer may provide all documents to OMOI that he or she is required to provide pursuant to this Plan with a request for confidential treatment under section 388.112 of the Commission's regulations.

J. At least annually, the Compliance Officer shall provide each Applicable Employee a description of his or her own authorization to make trades and a listing of the relevant trading limits. The Compliance Officer shall provide these documents more frequently than annually when its trading limits change. The Applicable Employee shall sign a copy of the authorization and limits contained in the Trading Policy signifying receipt and acceptance of the document. Williams shall retain copies of these documents for at least four years after the Effective Date of the Agreement.

K. The Compliance Officer, or her or his designee, shall create an Exception Log to record all identified infractions of all trading-related rules, including but not limited to (a) trading policies and procedures; (b) trading limits; (c) trading instruments; and (d) trading strategies. The Exception Log shall be maintained continuously. On or before October 1 and April 1 of every year this Compliance Plan remains in effect, the Compliance Officer shall report in writing all infractions contained on the Exception Log to OMOI. Williams will retain copies of the Exception Log for four years. OMOI shall have prompt access to the Exception Log upon written request.

L. The Compliance Officer or Williams Chief Compliance Officer shall report in writing a material infraction(s) of trading-related rules to both the Williams Board of Directors and OMOI as soon as practicable after they become known to the Compliance Officer. Within 30 days of the date of the report to the Board of Directors, the Compliance Officer shall provide a document to OMOI attesting that the Williams Board of Directors was informed on the material violations.

M. The Compliance Officer may designate in writing one or more individuals to perform one or more responsibilities stated in this Plan. Neither WPC nor other Williams energy affiliate employee or officer personnel responsible for trading shall have authority to appraise the performance of such designated individuals, or set or influence the compensation of such designated individuals or hire or fire such designated individuals. Notwithstanding any such designations, the Compliance Officer shall remain responsible for the faithful discharge of the

requirements assigned to the Compliance Officer in this Plan. Williams must retain copies of all such designations for four years from the Effective Date of the Agreement.

N. OMOI agrees that, as specified in this Compliance Plan, the duties and responsibilities of the Compliance Officer shall in no way extend or otherwise affect the delegations of authority prescribed by the Williams Board of Directors. OMOI further agrees that performance of certain duties specified in this Compliance Plan that may be delegated to the Williams Chief Risk Officer, who may also be the Chief Financial Officer of WPC, shall not constitute a violation of this Compliance Plan. Williams Chief Risk Officer, for the purposes of this paragraph, refers to the current incumbent as of the date the Commission approves the Agreement. The current Williams Risk Officer may appraise the performance of individuals designated in writing to perform one or more responsibilities under this Compliance Plan, notwithstanding the second sentence of paragraph II.M above. The Compliance Officer shall promptly report in writing to OMOI any and all duties he or she delegates to the Williams Chief Risk Officer.

O. Signatures and acknowledgements required in this Compliance Plan may be electronic.

### **III. OTHER RECORDING AND PRESERVATION REQUIREMENTS**

A. While on the WPC trading floor, Applicable Employees shall conduct trading business on: (i) recorded telephone lines or (ii) a recorded Instant Message facility or (iii) a WPC-approved electronic platform. Any transaction executed while off the WPC trading floor shall be memorialized on a recorded line as soon as practicable. Williams shall preserve the audio recordings for at least four years from the Effective Date of the Agreement. Within 120 days after the Effective Date of the Agreement, Williams will also preserve for at least four years all Instant Messages used by Applicable Employees to facilitate natural gas and/or electric power transactions. Notwithstanding (ii) above, Applicable Employees may continue to use an Instant Message facility prior to the 120 day preservation requirement.

B. WPC will preserve for at least four years the following documents created and used by Applicable Employees to manage natural gas and electric power financial, physical obligations and liabilities: blotters, trade logs, and related trader e-mails. WPC shall also retain position reports, profit and loss reports, and value at risk data. The requirement to preserve all trade logs used by Applicable Employees shall begin 120 days after the Effective Date of the Agreement. Williams shall not be required to generate or otherwise create any new documents in order to comply with this preservation and retention requirement.

### **IV. AUDIT**

A. Williams shall select an independent Auditor to audit Williams' compliance with this Compliance Plan. Williams shall be solely responsible for compensating the Auditor.

B. The Auditor's audit shall be conducted, and an Audit Report shall be written, in sufficient detail to permit OMOI to determine the nature and degree of Williams' compliance with this Compliance Plan. The Audit Report shall reflect and include information regarding, but not limited to, (1) interviews with Applicable Employees; (2) examination of all the

Documents the Compliance Officer is required to create or provide to any Applicable Employee; and (3) examination of compliance with all recordkeeping and reporting responsibilities specified in this Compliance Plan. The Audit Report conducted by the Independent Auditor shall further contain (4) an identification and discussion of all instances of non-compliance with any Commission requirement or this Compliance Plan identified during the audit; (5) a statement regarding the nature and degree of Williams cooperation with the audit; and (6) an evaluation, supported by reference to pertinent documents, processes, incidents and individuals, of Williams' overall compliance with this Compliance Plan.

C. The Independent Audit shall be conducted within 18 months of the Effective Date of the Agreement. The Independent Audit shall cover a 12 month period that commences no earlier than 30 days after the Effective Date of the Agreement.

D. In the absence of any direction from OMOI, Williams shall engage in an internal audit of its compliance with this Compliance Plan. The audit will cover a 12-month period immediately following the 12-month period of the audit described in the immediately preceding paragraph. Williams must retain a copy of the internal audit and all papers that supporting it, for a period of four years from the Effective Date of the Agreement. Williams shall provide a copy of the internal audit to OMOI within ten days of its completion.

E. For good cause, OMOI may in the exercise of its discretion direct that the audit process described in Paragraphs A and B of this Section IV. Audit be repeated once. In such event, OMOI will provide Williams such written direction, including an explanation of the good cause warranting an additional audit. Good cause would include, for example, documentation in the Audit Report of significant non-compliance with this Compliance Plan. OMOI shall provide such written direction within 60 days of the date it receives the Audit Report. The expectation of OMOI and Williams is that OMOI will not invoke this paragraph absent evidence of significant non-compliance with the Plan.

## **V. OTHER PROVISIONS**

A. Williams shall maintain a Hotline that permits Williams personnel to provide information anonymously to the Compliance Officer or his or her designee regarding conduct that may be inconsistent with Commission Requirements. Williams shall also inform Applicable Employees of FERC's Enforcement Hotline and that they may also contact the Enforcement Hotline as described in section 1b.21 of the Commission's regulations.

B. The provisions of this Compliance Plan shall be superseded to the extent that any change in applicable law provides for additional penalties or remedies or substantively changes Commission Requirements. Any such change shall apply on a prospective basis only.

C. The Compliance Plan shall expire three years after the Effective Date of the Agreement. The expiration of this Compliance Plan shall not affect the requirement of Williams to continue to preserve documents for periods specified in this Compliance Plan.

## Appendix C

### March 2003 Stipulation As Revised By Stipulation And Consent Agreement

3. a. Effective upon the date on which this Agreement is fully executed (Execution Date), neither Williams GSR L.L.C. nor WEM&T nor any other entity whose relationship with Transco is subject to the Commission's standards of conduct for interstate pipelines with marketing affiliates, 18 C.F.R. Part 161 (2002), as amended (Part 161), or to any rule, regulation, or order that succeeds or supplants Part 161 (hereinafter referred to as entities subject to Paragraph 3.a.), shall enter into with Transco, Northwest Pipeline Corporation, Texas Gas Transmission Corporation, Black Marlin Pipeline Company, or Discovery Gas Transmission L.L.C. (hereinafter referred to as Affiliated Pipelines) any new or amended agreement for transportation capacity that would increase in any way the quantity of transportation capacity held as of the Execution Date by the affiliate, its predecessor, or assignor, including any agreement for transportation capacity made available in an open season for capacity administered by any of the pipelines identified above after the Execution Date.

b. Notwithstanding Paragraph 3.a. above, on or after the Execution Date, an entity subject to paragraph 3.a. ~~above~~ may acquire transportation capacity on an Affiliated Pipeline that is:

1. released by any other nonaffiliated shipper on that pipeline. Such capacity shall be without restriction or limitation on use by any entity subject to 3.a. above;

2. used to market gas produced from or consumed by any natural gas exploration, production, gathering, processing or treating facility that is owned in whole or in part or operated by an affiliated of TWC;

3. short-term firm or interruptible capacity (of one year term or less) that is necessary to meet WEM&T's contractual obligation as of the Execution Date to provide natural gas to one of the four generating facilities that are owned as of the Execution Date by the following entities:

A. AES Red Oak, L.L.C.

B. AES Ironwood, L.L.C.

C. Tenaska Alabama Partners, L.L.C.

D. Williams Generation Company – Hazelton; or

4. pursuant to rights of first refusal in capacity agreements held as of the

Execution Date or pursuant to any of the above exceptions.

c.

~~Nothwithstanding Paragraph 3.a above, on or after the Execution Date, an entity subject to Paragraph 3.a above may enter into transactions with new sales customers, but may not provide the following services with respect to such new customers' transportation capacity on Transco or Affiliated pipelines: asset management; procurement of supply; management of nominations or scheduling; or agency agreements.~~

ed. Notwithstanding Paragraph 3.a. above, on or after the Effective Date of the Stipulation and Consent Agreement in Docket No. IN04-2-001, Williams Power Company, Inc. and its successor(s) may obtain capacity from an Affiliated Pipeline, which capacity may be used to ship third-party gas on an interim basis if the entire capacity is intended for a use described in Paragraph IV. 3. b. 2.