WILLIAMS COMPANIES AGREE TO PAY $7.6 MILLION TO SETTLE INVESTIGATION OF STORAGE INFORMATION SHARING

The Federal Energy Regulatory Commission today accepted a settlement in which Williams Companies Inc. has agreed to pay $7.6 million in refunds and civil penalties to settle a staff investigation into sharing of natural gas storage information. Williams also has agreed to implement new procedures governing its wholesale natural gas and electricity trading and Transcontinental Gas Pipe Line Corp. (Transco) businesses.

To settle the investigation, Transco admits that it violated the Commission’s rule against providing information on a preferential basis to a marketing affiliate. Transco agrees to refund $4 million to its storage customers. Transco also agrees to pay a $3.6 million civil penalty.

The Williams Companies, headquartered in Tulsa, Okla., owns Transco, an interstate natural gas pipeline that extends from Texas to New York City, and Williams Power Co., a wholesale energy trader.

A staff investigation by the Commission’s Office of Market Oversight and Investigations found that, from August 2001 through June 2002, an employee at Transco impermissibly shared Transco’s nonpublic storage inventory information with traders at Williams Energy Marketing & Trading Co., a predecessor of Williams Power Co. Those communications violated the Commission’s regulations, known as the standards of conduct, which prohibit the sharing of transportation-related information, including storage information, with affiliated marketing personnel by jurisdictional pipelines unless that information is made available at the same time to all potential customers. These standards are designed to assure that marketers affiliated with pipeline companies don’t gain an unfair competitive advantage.
In addition to paying penalties and refunds, the Williams affiliates further agree to adhere to a three-year plan that provides a framework for Williams to improve its compliance with the Commission’s affiliate-abuse rules and increase its monitoring of trading activities of both natural gas and electric power. Among other things, the compliance plan requires Williams to:

- Train its natural gas and electric power traders in the standards of conduct and various other Commission requirements;

- Create lists of permissible and prohibited trades and trading strategies applicable to natural gas and electric power which are to be distributed to all wholesale energy traders; and

- Create and maintain audio recordings of all natural gas and electric power trades executed on the trading floor and archives of instant messages used to facilitate such trades.

On August 2, 2004, the Commission approved three settlements with Dominion Transmission Inc., Northern Illinois Gas Co. and Columbia Gas Transmission Corp. that involved the communication of non-public storage inventory information. In those settlements, the Commission approved the payment of a total of $4.5 million in refunds and $3.6 million in civil penalties. With today’s settlement, a total of $15.7 million in refunds and penalties will be paid to resolve issues stemming from the same staff investigation.