

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION  
102 FERC ¶ 61,302

Before Commissioners: Pat Wood, III, Chairman;  
William L. Massey, and Nora Mead Brownell

Transcontinental Gas Pipe Line Corporation, et al.      Docket Nos. IN02-1-000  
FA02-4-000

ORDER APPROVING STIPULATION AND CONSENT AGREEMENT AND  
REQUIRING PAYMENT OF CIVIL PENALTY

(Issued March 17, 2003)

1. The Commission approves the attached Stipulation and Consent Agreement (Agreement) between the Division of Enforcement, Office of Market Oversight and Investigations (Enforcement), and Transcontinental Gas Pipe Line Corporation (Transco), Williams Energy Marketing & Trading Company (WEM&T), and the Williams Companies (TWC) (collectively Transco, et al.). This order is in the public interest because it resolves alleged violations with a settlement that assesses significant civil penalties, limits the purchase by WEM&T of additional transportation capacity on Transco and other affiliated interstate pipelines, and requires Transco and certain other affiliated pipelines to follow a detailed four-year plan to ensure their compliance with the Commission's standards of conduct.
2. The Agreement resolves all issues relating to a non-public, formal investigation conducted by Enforcement in Docket No. IN02-1-000 under Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2002), and a staff audit in Docket No. FA02-4-000 conducted by the Office of the Executive Director, Division of Regulatory Audits. The investigation and audit concern apparent violations, set forth in the Agreement's allegations, of the Natural Gas Act (NGA), 15 U.S.C. §§ 717 et seq. (2000), the Natural Gas Policy Act of 1978 (NGPA), 15 U.S.C. §§ 3301 et seq. (2000), and provisions of the Commission's regulations that relate to the stipulations in the Agreement. Transco, et al. neither admit nor deny that their actions violated the NGA, the NGPA, or the Commission's regulations.
3. The facts stipulated in the Agreement concern issues related to WEM&T's access to transportation information and customer information in Transco's mainframe computer system while WEM&T operated Transco's merchant function through an agency agreement. The investigation and audit focused on WEM&T's use of a computer program to "optimize" nominations for transportation on Transco that connected in

various ways to databases on Transco's mainframe computer, and on access by certain WEM&T employees to transportation information and customer information on that computer. The investigation and audit also addressed whether the information Transco reported to the Commission and posted on its Internet website concerning transportation transactions and discounts and the corporate relationship between it and its marketing affiliates complied with applicable Commission requirements.

4. The Agreement contains a Penalties and Remedies section with seven major components that are summarized below:

- (A) Transco, et al. shall pay a civil penalty pursuant to the NGPA in the principal amount of \$20,000,000, in five equal payments over a four-year period.
- (B) Neither WEM&T nor any other affiliated entity subject to the Commission's standards of conduct rules in effect with respect to Transco shall enter into any new or amended contracts for transportation or storage of natural gas with Transco, Northwest Pipeline Corporation (Northwest), Texas Gas Transmission Corporation (Texas Gas), Black Marlin Pipeline Company or Discovery Gas Transmission L.L.C. (collectively, the Affiliated Pipelines) that would increase the entity's existing transportation capacity, with limited exceptions set forth in the Agreement.
- (C) As of June 1, 2003, WEM&T shall discontinue the use of its nomination optimization program as well as any related or successor programs that serve to link WEM&T computerized trading programs with programs or databases that contain Transco's transportation information, and Transco shall not provide WEM&T with access to transportation information that is in any way superior to the access to such information Transco provides to non-affiliated entities.
- (D) TWC and its affiliates shall secure the computer systems and databases used by each of the Affiliated Pipelines to ensure that no employee, agent or contractor for WEM&T or any other entity subject to the standards of conduct shall receive preferential access to any transportation information or non-affiliated shipper information in any of the Affiliated Pipelines' computer systems, computer programs, or databases.
- (E) Transco, et al. shall implement a Compliance Plan, incorporated into the Agreement as an Appendix. The Compliance Plan shall remain in effect

for four years. The Compliance Plan includes detailed procedures under which Transco, Northwest, and Texas Gas shall: (1) maintain security over access to transportation information in their computer systems by their marketing affiliates, (2) follow Commission regulations requiring Internet website posting of discount and transactional information, (3) develop and hold appropriate standards of conduct training, and (4) retain documents as required by Commission regulations.

- (F) For four years, without prior approval by the Commission, TWC and its affiliates shall not create any marketing affiliate of Transco that would be subject to the Commission's standards of conduct rules in effect.
- (G) Before April 1, 2003, Transco will notify its FS merchant service customers that effective April 1, 2005, Transco intends to terminate its FS service.

5. The Agreement does not address or resolve issues pending in any other docketed matter.

The Commission finds:

The Agreement provides an equitable resolution of this matter and is in the public interest.

The Commission orders:

- (A) The attached Stipulation and Consent Agreement is approved in its entirety without modification.
- (B) Docket Nos. IN02-1-000 and FA02-4-000 are terminated.
- (C) The Commission's approval of the attached Stipulation and Consent Agreement does not constitute approval of, or precedent regarding, any principle or issue in this matter.

By the Commission.

( S E A L )

Magalie R. Salas,

Secretary.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Transcontinental Gas Pipe Line Corporation, et al.** ) **Docket Nos. IN02-1-000**  
 ) **and FA02-4-000**

**Stipulation and Consent Agreement**

**I. INTRODUCTION**

The Staff of the Division of Enforcement, Office of Market Oversight and Investigations (Enforcement), and Transcontinental Gas Pipe Line Corporation (Transco), Williams Energy Marketing & Trading Company (together with its natural gas marketing subdivisions) (WEM&T), and The Williams Companies, Inc. (TWC) (collectively Transco, et al.) enter into this Stipulation and Consent Agreement (Agreement) to resolve all issues relating to a non-public, formal investigation conducted by Enforcement under Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2002). The investigation concerns apparent violations of the Natural Gas Act (NGA), 15 U.S.C. §§ 717 et seq. (2000), the Natural Gas Policy Act of 1978 (NGPA), 15 U.S.C. §§ 3301 et seq. (2000), and provisions of the Commission's regulations and orders, arising from the facts stipulated below. This Agreement also resolves all issues relating to an audit of Transco and WEM&T conducted by the Office of the Executive Director, Division of Regulatory Audits in Docket No. FA02-4-000. The audit period for this docket is January 1, 1999 through the present.

**II. STIPULATION**

Transco, et al. and Enforcement stipulate to the following:

1. Transco is an interstate natural gas pipeline subject to the NGA, NGPA, and the

Commission's regulations. Transco's facilities extend from south Texas and offshore Louisiana, through the southeast and the mid-Atlantic region, to the New York City area. Transco maintains on a mainframe computer a number of databases that contain information relating to the transportation services Transco provides and computer programs that operate these databases.

2. In 1991, the Commission approved a settlement (FS Settlement) resolving several pending Transco rate proceedings, under which Transco began providing an unbundled sales service under Rate Schedule FS.<sup>1</sup> Under the FS service, Transco acted as agent for its sales customers for arranging transportation on its system of gas it sold, including making nominations for transportation from the point of sale to downstream delivery points. In the FS Settlement, Transco agreed that its employees who receive information from shippers to secure transportation of non-Transco supplied gas on the Transco system would not disclose the information to its gas marketing employees. The Commission approved the settlement, in part based on its conclusion that "Transco will be providing comparable transportation service with respect to all gas supplies whether purchased from Transco or its competitors . . . ." <sup>2</sup>
3. In 1992, pursuant to Part 161 of the Commission's regulations, 18 C.F.R. Part 161,

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<sup>1</sup>Transcontinental Gas Pipe Line Corp., 55 FERC ¶ 61,446 (1991), order granting rehearing in part, 57 FERC ¶ 61,345 (1991).

<sup>2</sup> Id. at 62,334.

Transco filed revised standards of conduct regarding its relationships with its marketing affiliates. In the filing, Transco proposed that an affiliate, Transco Gas Marketing Company (TGM), would provide all merchant services for Transco's sales function through an agency agreement. Transco stated that TGM would administer gas supply and sales contracts, arrange gas transportation services, and provide billing and accounting services. Transco stated that TGM would buy and sell gas on its own account, as well as market gas as agent for Transco's merchant function. Transco also stated that TGM would administer all existing and future gas sales and purchase contracts for each of Transco's marketing affiliates.

Transco stated that it would comply with each of the Commission's standards of conduct with respect to TGM, and would "treat TGM like any other shipper and would not disclose to TGM information received from nonaffiliated shippers or potential shippers as required by Standard E."<sup>3</sup> Transco stated that if it were to disclose transportation information to TGM, Transco would disclose the information contemporaneously on its electronic bulletin board (EBB) pursuant to Standard F (thus making the information available to all shippers).<sup>4</sup> Transco

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<sup>3</sup> East Tennessee Natural Gas Co., *et al.*, 65 FERC ¶ 61,389 at 63,062-63 (1993). Standard E states that an interstate pipeline "may not disclose to its marketing affiliate any information the pipeline receives from a nonaffiliated shipper or potential nonaffiliated shipper." 18 C.F.R. § 161.3(e) (2002).

<sup>4</sup> *Id.* at 63,063. Standard F provides that to the extent an interstate 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,

explained that Transco and TGM shared a common computer system, but that access to Transco's computer programs was restricted by code names and numbers, i.e., Access IDs and passwords.

4. The Commission approved Transco's standards of conduct filing, referring to Transco's continuing process of restructuring to unbundled service and Transco's continuing merchant function (or sales service).<sup>5</sup> The Commission stated that if the marketing affiliate obtained information from Transco related to transportation on the pipeline by virtue of its former role as a combined seller and transporter of natural gas, Transco was required to contemporaneously disclose that information as required by Standard F.
5. In 1995, TWC purchased the parent company of Transco and its marketing affiliates. Following the purchase, a TWC affiliate, Williams Energy Services Company (WESCO), became the new parent of Transco's marketing affiliates, many employees of which were relocated from Houston to Tulsa, Oklahoma. In 1998, TWC renamed WESCO as Williams Energy Marketing & Trading Company.<sup>6</sup>

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<sup>4</sup>(...continued)  
affiliated and nonaffiliated, on its system." 18 C.F.R. § 161.3(f).

<sup>5</sup> 65 FERC ¶ 61,389 at 63,065 (1993).

<sup>6</sup> TGM was merged into Transco Energy Marketing Company, one of WEM&T's subsidiaries acquired in TWC's purchase of Transco. For the remainder of this Agreement, WEM&T may also include TGM, where appropriate.

6. From 1993 to the present, TGM or WEM&T has administered Transco's merchant function pursuant to an agency agreement. While the number of merchant customers has declined in recent years, Transco (through WEM&T) still provides a merchant service under Transco's FS and NS rate schedules. During this period, WEM&T also has conducted a substantial amount of trading (both physical and financial purchases and sales) relating to natural gas transported on Transco's system. WEM&T's natural gas traders consider the gas sales and purchases they perform for the merchant function and for WEM&T's own trading activities to be part of a single portfolio.
7. For virtually all of the audit period, Transco engaged in transportation transactions pursuant to NGPA section 311, 15 U.S.C. § 3371.
8. In approximately 1994, a corporate Information Technology (IT) employee created an "optimization" program that WEM&T has used to develop and communicate transportation nominations to Transco for the merchant function and for WEM&T's own customers on Transco's system. Since 1994, WEM&T has used different nomination optimization programs, but each one has compiled WEM&T's sale and purchase transactions relating to gas traveling on Transco during a single day, determined which nomination paths will result in the least overall cost for WEM&T's own transactions, and conveyed the nomination paths to Transco. Until 2000, WEM&T's nomination optimization program ran directly on Transco's mainframe computer. Each such nomination optimization program

has had connections to transportation data in Transco's mainframe databases, either directly or through related programs.

9. In order to perform the FS service agency, Transco provided certain WEM&T employees access to Transco's nonaffiliated customers' contract data, invoice data, and transportation data. Throughout the audit period, and as early as 1995, Transco created Transco mainframe database Access IDs for certain WEM&T employees, which along with a valid password provided them access to Transco's mainframe databases for transportation and customer information. Each Access ID included a security profile that controlled access to the mainframe databases. Throughout the audit period until January 2002, Transco failed to revise Transco mainframe database Access IDs as WEM&T employees changed positions within WEM&T. In some instances, Transco also reactivated WEM&T employees' Access IDs without verifying the employee's use for the access. Several WEM&T accountants and natural gas traders, who previously served as accountants, had Access IDs and passwords to these databases. Such access was eliminated in January 2002.
10. When Transco upgraded certain database software in 1998, the security sub-function caused repeated errors and prevented the system from functioning. As a result, Transco deactivated a security system on its mainframe computer that used the security profile in each Access ID and provided a separate method for protecting information in its databases from prohibited access. Although Transco

continued to maintain the security profiles, without the security system, access to the databases on Transco's mainframe was not controlled by the security profiles, but only by Access ID and password. In January 2002, Transco upgraded the database software, and the security sub-function became operational. The deactivation of the security system left Transco's customer and transportation databases accessible to certain WEM&T employees during 1998 through 2001 solely through Access IDs and passwords. Transco's practices allowed certain WEM&T personnel access to Transco's databases containing customer and transportation information during that period.

11. On one occasion in 2000, at the request of a WEM&T vice president, a WEM&T employee accessed Transco's mainframe databases to obtain customer and transportation information about a nonaffiliated customer, without that customer's permission.
12. Transco's SCADA system includes real-time gas flow information relating to Transco's pipeline system. During Staff's investigation, Transco disclosed that during the audit period it inadvertently posted an access "portal" to SCADA information on the TWC "Intranet" site. The information was limited to a small subset of all SCADA data and was available on a "view-only" basis. All users of the TWC Intranet, including WEM&T employees, possessed access to Transco's SCADA information through this portal. Transco did not give nonaffiliated shippers comparable access to SCADA information. TWC has moved the SCADA

webpage to a new server that provides access only to appropriate personnel.

13. Transco receives most inquiries relating to discount availability via telephone.

Transco only creates and maintains written records of these telephone inquiries if a discount is granted.

14. Staff reviewed the following information related to Transco's discounts: Discount Postings on the Internet pursuant to Standard H, 18 C.F.R. § 161.3(h); Discount Reports filed with the Commission pursuant to former section 284.7 of the Commission's regulations, 18 C.F.R. (former) § 284.7 (Discount Reports); Transactional Data posted on the Internet as required by section 284.13(b), 18 C.F.R. § 284.13(b) (Transactional Data); and Form No. 592 data, required by section 250.16(d) of the Commission's regulations, 18 C.F.R. § 250.16(d).<sup>7</sup> (All these sources are collectively referred to as discount related information.) Staff's review of the discount related information revealed that during the audit period, Transco failed to post on its Internet website some discounts to its marketing affiliate within 24 hours of the first flowing of gas. Transco also failed to post on its Internet website the accurate maximum rates for some discounts or failed to reflect the correct shipper name on some of its discount postings. In addition, Staff's review of the discount related information revealed that Transco failed to

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<sup>7</sup> Section 250.16(d) requires an interstate pipeline to maintain monthly discount information including detailed data on all transportation discounts in effect on the pipeline during that month, regardless of affiliation of the shipper. A pipeline is required to submit this information in the Form No. 592, when requested to do so by the Commission.

accurately report some information relating to discounts to marketing affiliates in the Discount Reports. As an example, for the month of August 2000, Staff reviewed discount transactions, many of which were granted to the marketing affiliate. Transco did not post on its Internet website all of the marketing affiliate discount transactions. Staff's review of Transco's Form No. 592 data for August 2000 revealed numerous reporting errors. In addition, Staff's review of the discount related information revealed that, in one instance, Transco failed to report accurately in the Discount Reports some information relating to discounts to marketing affiliates.

15. Staff reviewed numerous organizational charts and job descriptions either posted on Transco's Internet website, as required by Standard L, 18 C.F.R. § 161.3(l), or submitted by Transco in response to Staff data requests.
16. Staff reviewed and compared the information in Transco's Index of Customers required by section 284.13(c) of the Commission's regulations, 18 C.F.R. § 284.13(c), to information obtained in response to Staff data requests.
17. During the investigation, Staff asked to review 359 contract files that Transco had identified as "active" during the Audit Period. Transco did not locate the majority of those contract files or copies of the contract files within the time period requested by staff, i.e., July - December 2002.

### III. ALLEGED VIOLATIONS

#### A. Enforcement alleges:

1. By permitting TGM and WEM&T to develop and operate nomination optimization programs using enhanced access to Transco's transportation information, Transco has violated section 4(b) of the NGA, 15 U.S.C. § 717c(b), which prohibits an interstate natural gas pipeline from giving any person any undue preference relating to the pipeline's jurisdictional transportation. Transco's practice has violated Standard C of the Commission's standards of conduct, 18 C.F.R. § 161.3(c) (2002), which prohibits an interstate pipeline with marketing affiliates from giving any preference to affiliates over nonaffiliates in transportation matters, including nominations. The Transco, et al. nomination optimization program practices also have violated Standard F, 18 C.F.R. § 161.3(f) (2002), which requires an interstate pipeline that provides transportation information to its marketing affiliate to provide the same information contemporaneously to all shippers or potential shippers on its system. These practices have also violated sections 284.7(b) and 284.9(b) of the Commission's regulations, 18 C.F.R. §§ 284.7(b) and 284.9(b), which together require interstate pipelines that provide firm and interruptible open access transportation service to do so without undue discrimination or preference in the quality of service provided or any other kind of undue discrimination or preference.
2. By giving WEM&T employees access to nonaffiliated customers' contract data,

- invoice data, and transportation data, including customer information and transportation information about a non-affiliated customer, obtained by a WEM&T employee from Transco's mainframe databases, that WEM&T used in 2000 in evaluating business decisions relating to transportation capacity on Transco, Transco violated section 4(b) of the NGA, 15 U.S.C. § 717c(b), which prohibits an interstate natural gas pipeline from giving any person any undue preference relating to the pipeline's jurisdictional transportation. Transco also violated the Commission's Standard E, 18 C.F.R. § 161.3(e) (2002), which prohibits an interstate pipeline from disclosing to its marketing affiliate any information the pipeline receives from a nonaffiliated shipper.
3. By giving all employees access to SCADA, Transco violated section 4(b) of the NGA, 15 U.S.C. § 717c(b), which prohibits an interstate natural gas pipeline from giving any person any undue preference relating to the pipeline's jurisdictional transportation. By providing WEM&T employees with access to SCADA, Transco also violated the Commission's Standard F, 18 C.F.R. § 161.3(f) (2002), which requires an interstate pipeline that provides transportation information to its marketing affiliate to provide the same information contemporaneously to all potential shippers on its system.
  4. Transco's failure to create and maintain a written record of each discount request has violated the Commission's records retention requirements at 18 C.F.R. § 225.3, which require a pipeline to retain records of discount requests.

5. Transco's failure to post all discounts to a marketing affiliate and its posting of inaccurate information with respect to certain discounts to a marketing affiliate violated Standard H, 18 C.F.R. § 161.3(h), under which an interstate pipeline that offers a transportation discount for a transaction in which an affiliated marketer is involved must post the discount on the pipeline's Internet website within 24 hours of the first flowing of the gas. Transco also violated former section 284.7, 18 C.F.R. § 284.7 (1999), under which an interstate pipeline was required to submit monthly information regarding all discounts, including whether the recipient of the discount was affiliated with the pipeline. The Discount Reports were discontinued in September 2000, when the Transactional Data requirements became effective. Transco's Form No. 592 reporting errors have violated section 250.16(d) of the Commission's regulations, 18 C.F.R. § 250.16(d).
6. Staff's review of Transco's discount related information revealed that with respect to the Transactional Data, Transco did not update or revise the rates to reflect the discounts for certain transportation transactions, in violation of section 284.13(b), 18 C.F.R. § 284.13(b) (2002), under which pipelines are required to post, on an Internet website, transactional data for firm and interruptible transportation, including the name of the shipper, the maximum rate, the rate charged, the quantity of gas to be shipped, the affiliation of the shipper, and any "special conditions" as that term is defined in 284.(13)(b)(1)(viii).
7. Staff found the organizational charts and job descriptions posted on Transco's

Internet website were incomplete, inaccurate, and difficult to understand, and that they did not include all the required job titles, names of managers, and job descriptions, in violation of Standard L, 18 C.F.R. § 161.3(l), which requires a pipeline to post on its Internet website corporate organizational charts showing the position of the pipeline in the corporate structure relative to the position of its marketing affiliates. Standard L also requires a pipeline to post on its Internet website job titles and job descriptions for employees shared by the pipeline and any marketing affiliates.

8. Staff's review of Transco's Index of Customers revealed that they contained numerous errors, including transactions that were omitted and transactions that identified the wrong contract number, in violation of section 284.13(c) of the Commission's regulations, 18 C.F.R. § 284.13(c), which requires an interstate pipeline to post an Index of Customers. In addition, as a result of the inaccurate information posted in Transco's Index of Customers and filed with the Commission before August 2000, Transco violated former section 284.106(c) of the Commission's regulations, 18 C.F.R. § 284.106(c) (1999).
9. Transco's failure to retain transportation contract files has violated section 225.3 of the Commission's regulations, 18 C.F.R. § 225.3, which requires an interstate pipeline to retain records of transportation contracts and related documents for at least four years after the expiration date of the contract, or until the conclusion of any disputes or governmental proceedings pertaining to the contract, whichever

date is later.

B. Transco, et al. responds:

1. With respect to the allegations set forth in Part III.A. above, it is Transco, et al.'s position that:

- a. Transco, et al. do not admit Enforcement's allegations in Part III.A. or that all relevant facts have been set forth in Part II and Part III.A. Transco, et al. neither admit nor deny that they violated any provision of the NGA, NGPA, or the Commission's regulations and expressly assert that neither Transco nor any of its affiliates were unjustly enriched by, received a competitive advantage, or otherwise profited from the alleged activities described in this Agreement. However, 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. IN02-1-000 and the audit in Docket No. FA02-4-000, and without admitting that any violations occurred, Transco, et al. are entering into this Agreement.
- b. WEM&T's application of the nomination optimization models did not give it a competitive advantage with respect to any shipper on the Transco system.
- c. The majority of Transco, et al.'s employees were unaware of the access, if any, to Transco's nonaffiliated customer contract and invoice data and transportation data.

- d. Transco, et al.'s violations, if any, were unintentional and inadvertent.

#### IV. PENALTIES AND REMEDIES

For purposes of settling any and all civil and administrative disputes, and in lieu of any other penalty or remedy that the Commission might assess or determine concerning any of the matters in the investigation in Docket No. IN02-1-000 and the audit in Docket No. FA02-4-000, Transco, et al. agree that:

1. Transco, et al. shall pay a civil penalty in the principal amount of \$20,000,000 as follows:
  - a. Within 30 days of the date on which a Commission order approving this Agreement without modification becomes final (Effective Date), Transco, et al. shall pay an installment of \$4,000,000, either by delivering a certified check made payable to the Federal Energy Regulatory Commission to Federal Energy Regulatory Commission, Lockbox 93938, Chicago, Illinois 60673, or by completing an electronic wire transfer to an appropriate Commission account. The date on which Transco, et al. pay this installment shall be called the First Payment Date.
  - b. No later than one year after the First Payment Date (the Second Payment Date), Transco, et al. shall pay as set forth in a. above a second installment of \$4,000,000.
  - c. No later than one year after the Second Payment Date (the Third Payment Date), Transco, et al. shall pay as set forth in a. above a third installment of

\$4,000,000.

- d. No later than one year after the Third Payment Date (the Fourth Payment Date), Transco, et al. shall pay as set forth in a. above a fourth installment of \$4,000,000.
  - e. No later than one year after the Fourth Payment Date (the Fifth Payment Date), Transco, et al. shall pay as set forth in a. above a fifth installment of \$4,000,000.
  - f. Transco, et al. shall not recover any amount of the civil penalty through any rate for any service subject to the jurisdiction of the Commission.
2.
    - a. Before April 1, 2003, Transco shall notify its FS customers that effective April 1, 2005, Transco intends to terminate its FS service.
    - b. Transco shall provide notice of termination to any NS service customers subject to pregranted abandonment effective as of the date specified in the contract. Notwithstanding the foregoing, Transco may execute NS service agreements to sell gas that Transco is obligated to purchase under its remaining gas purchase contracts in effect on the Effective Date. Transco transmission personnel may continue to buy and sell gas for operational purposes, such as cash out imbalances and maintaining line pack levels, consistent with Transco's tariff and Commission precedent.
  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;
  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 affiliate 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. Notwithstanding 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.

4. Transco, et al. and, as appropriate, Northwest Pipeline Corporation and Texas Gas Transmission Corporation, shall implement fully and follow the Compliance Plan attached as the Appendix to this Agreement. Within 30 days after the Second through Fifth Payment Dates, Transco, et al., Northwest Pipeline Corporation, and Texas Gas Transmission Corporation shall file with the Commission a report in

Docket No. IN02-1 explaining how, during the previous 12-month period, each such pipeline implemented the Compliance Plan and ensured continued compliance with the applicable provisions of this Agreement and the Compliance Plan (Compliance Report).

5. Effective June 1, 2003, WEM&T shall terminate the use of the current nomination optimization program for transportation transactions on Transco as well as any related or successor software programs that serve to link WEM&T's trading programs with programs or databases that contain Transco's transportation information. Transco shall not provide WEM&T or any other entity subject to paragraph 3.a. of this Part with access to any transportation information that is in any way superior to the access to such information Transco provides non-affiliated entities. WEM&T and Transco shall describe the steps they have taken to comply with these requirements in each Compliance Report filed pursuant to paragraph 4 above.
6. As of the Execution Date, TWC and its affiliates shall secure the computer systems and databases used by any of its Affiliated Pipelines so as to ensure that no employee of or agent or contractor for WEM&T or any other entity subject to paragraph 3.a. of this Part shall receive preferential access to any transportation information or non-affiliated shipper information in any of the Affiliated Pipelines' computer systems, computer programs, or databases. Transco, et al., Northwest and Texas Gas shall describe the steps Transco and the Affiliated

Pipelines have taken to comply with these requirements in each Compliance Report filed pursuant to paragraph 4 above.

7. During the period in which the Compliance Plan is in effect, TWC will not create any new marketing affiliate of Transco that would be subject to paragraph 3.a. of this Part without prior approval of the Commission.
8. During the period in which the Compliance Plan is in effect, WEM&T and each other entity that is subject to paragraph 3.a. of this Part shall report to Enforcement such information on business activities relating to natural gas or electricity as Enforcement deems to be appropriate. These reports shall be governed by sections 1b.9 and 1b.20 of the Commission's regulations, 18 C.F.R. §§ 1b.9 and 1b.20 (2002).
9. Should any audit or reporting activity conducted pursuant to this Agreement or the Compliance Plan indicate that during the period in which the Compliance Plan is effective, Transco, WEM&T, or any other entity subject to paragraph 3.a. of this Part engaged in any apparent violation of any rule, regulation, or statutory requirement, Transco, et al. shall describe in the applicable Compliance Report each such violation and any remedy for it that Transco, et al. implemented after consultation with Enforcement.
10. Failure to make a timely civil penalty payment or otherwise comply with any provision of this Part shall violate a final order of the Commission issued pursuant to the NGPA and the NGA and may subject Transco, et al. to additional action

under the enforcement and penalty provisions of the NGPA, the NGA, or both.

Moreover, if payment is not made on time, interest shall accrue under the Commission's regulations at 18 C.F.R. § 154.501(d) (2002) from the date such payment is due.

11. The provisions of paragraphs 3 through 9 of this Part shall not apply to any entity that ceases to be affiliated with TWC.

## V. TERMS

10. Enforcement and Transco, et al. state that they enter into this Agreement voluntarily and that, other than the agreements provided herein, no tender, offer, or promise of any kind whatsoever has been made by any party to this Agreement or by any member, officer, agent, or representative thereof, to induce the other party to enter into this Agreement.
11. This Agreement does not address or affect any issues pending in any other docketed matter.
12. By this Agreement, Enforcement and Transco, et al. evidence their intention to settle only the matters referred to herein that are within the Commission's jurisdiction and statutory authority to settle.
13. Unless the Commission issues an order approving this Agreement in its entirety without modification, this Agreement shall be null and void and of no effect whatsoever, and neither Enforcement nor Transco, et al. shall be bound by any provision or term of the Agreement, unless they agree otherwise in writing.

14. On the date the Commission approves this Agreement without modification, this Agreement shall resolve as to Transco, et al., their agents, officers, directors and employees, both past and present, and the Commission shall release and be forever barred from bringing against Transco, et al., their agents, officers, directors, or employees, both past and present, 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, without limitation, arising out of, related to, or connected with the facts set forth in Part II and the allegations in Part III of this Agreement, and any matters covered by Staff's data requests or subpoenas but not discussed in this Agreement. The intent of the parties to this Agreement is that a final Commission order approving the Agreement without modification shall terminate the investigation in Docket No. IN02-1-000 and the audit in Docket No. FA02-4-000. This Agreement shall not bar Commission action in the event the Commission determines that any entity included in Transco, et al. has failed to comply with any provision of Part IV of this Agreement, but in any such event, the Commission action shall be limited to issues of noncompliance with this Agreement and may not serve as a basis for reinstatement or relitigation of the audit, investigation, and issues settled herein in any forum.
15. Transco, et al. may seek clarification or amendment of this Agreement in light of any final action by the Commission on the rulemaking on modification of the

- standards of conduct for transmission providers in Docket No. RM01-10-000.
16. By this Agreement, Enforcement and Transco, et al. agree that, as of the Effective Date, all tolling agreements shall be void and record preservation requirements imposed by Enforcement in this matter shall terminate.
  17. With respect to the representations by Transco, et al. set forth herein, the undersigned representatives of Transco, et al. represent and warrant that they have read them and know the contents thereof, that all the statements and matters set forth are true and correct to the best of their knowledge, information, and belief, and that they understand that Enforcement enters into this Agreement in express reliance on those representations.
  18. The provisions of this Agreement shall apply to Transco, et al. and their successors and assigns.
  19. In connection with the payment of the civil penalty provided for herein, Transco, et al. agree that the Commission's order approving this Agreement without modification 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, Transco, et al. 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; post-hearing

- procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.
20. In connection with agreeing to the remedies provided herein relating to activities under the NGA discussed herein, Transco, et al. agree that a Commission order approving this Agreement without modification shall be a final and unappealable order under section 19 of the NGA, 15 U.S.C. § 717r (2000). With regard to such order, Transco, et al. waive: hearings pursuant to the applicable provisions of the NGA; 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; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.
21. Each of the undersigned warrants that he or she is an authorized representative of the party designated, is authorized to bind such party, and accepts this Agreement on behalf of that party.

Docket Nos. IN02-1-000 and FA02-4-000

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Agreed to and accepted this \_\_\_\_ day of March 2003.

Transcontinental Gas Pipe Line Corporation

Enforcement Staff

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By:

Steven Malcolm

Chairman, President and CEO

The Williams Companies, Inc.

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By:

Dennis O'Keefe

Deputy Director

Office of

Market Oversight and Investigations

Williams Energy Marketing & Trading Company

By:

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By:

William Hobbs

President

Williams Energy Marketing & Trading Company

The Williams Companies, Inc.

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By:

Steven Malcolm

Chairman, President and CEO

The Williams Companies, Inc.

## APPENDIX

**STANDARDS OF CONDUCT COMPLIANCE PLAN FOR  
TRANSCONTINENTAL GAS PIPE LINE CORPORATION, NORTHWEST  
PIPELINE CORPORATION, TEXAS GAS TRANSMISSION CORPORATION,  
THEIR MARKETING AFFILIATES AND THE WILLIAMS COMPANIES,  
INC.**

This Standards of Conduct Compliance Plan (Compliance Plan) responds to specific issues and recommendations arising from an audit conducted by the Office of the Executive Director, Division of Regulatory Audits, and a non-public, formal investigation conducted by the Division of Enforcement, Office of Market Oversight and Investigations (OMOI).

Transcontinental Gas Pipe Line Corporation (Transco) and its interstate natural gas pipeline affiliates Northwest Pipeline Corporation and Texas Gas Transmission Corporation (collectively TWC pipelines), The Williams Companies, Inc. (TWC), Williams Energy Marketing and Trading Company (WEMT), and the TWC pipelines' other marketing affiliates (collectively TWC, et al.) will implement the attached policies, and take the steps outlined below, to resolve issues that have arisen regarding compliance with the Federal Energy Regulatory Commission's (Commission's) applicable statutes, rules, and regulations.<sup>8</sup>

This Compliance Plan applies to TWC, et al. and to any successor companies owned or controlled by TWC. This Compliance Plan will be in effect for four years following the Effective Date of the Stipulation and Consent Agreement in Docket Nos. IN02-1-000 and FA02-4-000 (Agreement). This Compliance Plan is a part of the Commission's Order approving the Agreement. OMOI agrees to promptly review any material submitted in response to the Compliance Plan and will not unreasonably withhold approval of matters submitted for consideration.

TWC, et al., may request that the Commission modify this Compliance Plan during its four-year term. Nothing in this Compliance Plan relieves TWC, et al. from complying with the Commission's rules and regulations currently in effect and as they may be amended.

In the event that the Commission revises its Standards of Conduct regulations so as to apply them to any TWC affiliate in addition to WEMT and other affiliates that are currently marketing affiliates, then TWC, et al. must implement this Compliance Plan

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<sup>8</sup> An Attachment lists the entities that the TWC pipelines identify as marketing affiliates on their web sites as of March 7, 2003.

with respect to any affiliates covered by the revised Standards of Conduct regulations on a prospective basis. TWC, et al. may request a waiver so that any affiliates that would become covered by the revised regulations will not be covered under this Compliance Plan.

## **I. Standards of Conduct Compliance Officer**

1. TWC, et al. will designate an individual whose title will be "Standards of Conduct Compliance Officer" (Compliance Officer). This individual and her or his staff, as appropriate, will be the contact for Commission staff for TWC, et al.'s Standards of Conduct compliance issues and will be responsible for implementing this Compliance Plan.

## **II. Training**

22. TWC, et al. will develop a written policy for Standards of Conduct training that states measurable goals and specific consequences.

The training policy will state that TWC, et al. will require yearly Standards of Conduct training for Gas-related Employees. The term "Gas-related Employees" means all "operating employees" and officers of TWC pipelines and natural gas marketing affiliate(s), and any TWC, et al. employees or contractors who provide services related to contracting, scheduling or billing for natural gas transportation, sales, or purchases. Gas-related Employees shall also include TWC, et al. employees who provide Information Technology (IT), accounting, contract administration, billing, software development, or legal services related to the transportation or marketing of natural gas. The policy will also state appropriate disciplinary measures for employees who violate the policy.

23. TWC, et al. will submit the training policy to OMOI within 60 days of the date of issuance of the Commission Order approving the Agreement (Issuance Date) for approval.
24. TWC, et al. will develop procedures for Standards of Conduct training and will submit the training procedures to OMOI within 90 days of the Issuance Date for approval.
25. TWC et al. will notify all Gas-related Employees of the Standards of Conduct training policy and procedures after the OMOI has approved such policy and procedures.
5. The Compliance Officer will be responsible for the following:

- a. Obtaining, from TWC, et al.'s Human Resources Department (HR Department), a list of all Gas-related Employees.
  - b. Notifying all Gas-related Employees of the time and place for Standards of Conduct training that will be held every year during the three-month period beginning September 1, with the first such period beginning September 1, 2003.
  - c. Providing an electronic or hard-copy of the written policy for Standards of Conduct training to each TWC, et al. Gas-related Employee when the employee is notified of the time and place for Standards of Conduct training.
  - d. Developing electronic procedures for the tracking and verification of attendance and creating material to be used during the Standards of Conduct training.
  - e. Including in the training package information describing a "Hotline" (see below) with which TWC, et al. employees can anonymously report violations of the Standards of Conduct.
  - f. Submitting training materials to OMOI for approval 60 days prior to training.
  - g. Maintaining all certifications of attendance and materials used in the Standards of Conduct training until the next Standards of Conduct audit by the Commission.
  - h. No later than the end of each year, comparing the certifications of attendance to the list of Gas-related Employees to determine whether each Gas-related Employee participated in the Standards of Conduct training.
  - i. Notifying TWC, et al.'s HR Department of any person who did not participate in the Standards of Conduct training, so that the training for the individual can be rescheduled .
6. TWC, et al. may combine the Standards of Conduct training with other types of employee training and may provide training and training materials via e-mail or the Intranet with testing so as to ensure participation by persons who must receive training.

### **III. Hotline**

26. TWC, et al. will implement a "Hotline" telephone number so infractions of the Standards of Conduct can be reported anonymously to the Compliance Officer. TWC, et al. may combine this Hotline with its Ethics Hotline. Within 30 days after the end of each calendar quarter, the Compliance Officer will provide a report to OMOI, describing the content and resolution of any calls to the Hotline that quarter that raise issues relating to the Standards of Conduct.

#### **IV. Computer Access By Employees**

1. TWC, et al. will develop a written policy regarding employee computer access to any TWC pipeline's transportation information and confidential shipper information. The policy will state measurable goals and specific consequences.

The policy will state that TWC, et al. has zero tolerance for preferential computer access to TWC pipeline transportation information and confidential shipper information by the TWC pipelines' marketing affiliate employees. The policy will also state appropriate disciplinary measures for employees who violate the policy.

2. TWC, et al. will submit all computer access policies to OMOI within 60 days of the Issuance Date for approval.
3. TWC, et al. will develop written procedures for initiating or changing computer access within 90 days of the Issuance Date. TWC, et al. will submit all computer access procedures to OMOI for approval.
4. TWC, et al. will notify all Gas-related Employees of the computer access policies and procedures after OMOI has approved such policies and procedures.
5. The Compliance Officer will be responsible for the following:
  - a. Developing a list of all TWC pipeline computer systems and applications relating to the transportation of natural gas or that contain confidential non-affiliated shipper information to which access will be controlled.
  - b. Developing a form for requesting new access or changes, suspensions, revocations, or deletions to access to these computer systems and applications.
  - c. Making the form available on TWC, et al.'s Intranet web site.
  - d. Requiring that all internal requests relating to access to any of these systems, databases or applications be submitted in writing (either hard-copy or electronically) through Williams Access Control Process and maintained in a central repository for records, review and Audit of requested modifications. The Compliance Officer will receive a list of all such requests on a monthly basis.
  - e. Reviewing and documenting data from the employee, employee's supervisor, and TWC, et al.'s HR Department to determine the actual position that the employee currently holds.

- f. Approving or disapproving computer access via the form available from TWC, et al.'s Intranet web site.
- g. Submitting the approved form to the TWC, et al. IT Department employee who implements decisions about computer access and instructing that employee to implement the decision, document that action on TWC, et al.'s Intranet web site, and return the form to the Compliance Officer.
- h. Maintaining all records of computer access requests, approvals, denials, set ups, cancellations and changes, for three years following an employee's termination with TWC, et al.
- i. Receiving, within 24 hours following the effective date of a Gas-related Employee's change of position, company, job title, or job duties, notification of the change from TWC, et al.'s HR Department on the form available from TWC, et al.'s Intranet web site.
- j. Ensuring, within 48 hours following the effective date, if appropriate, that the employee's computer access is changed to reflect the change, its effective date and that the employee's change of duties is reflected in TWC, et al.'s organization charts.

#### **V. Computer Access By Computer System, Applications and Databases**

1. TWC, et al. will develop a written policy that prohibits access to TWC pipeline transportation information and confidential non-affiliated shipper information by TWC pipeline marketing affiliate computer systems, applications or databases. The policy will state measurable goals and specific consequences.

The policy will state that TWC, et al. has zero tolerance for access to TWC pipeline transportation information and confidential non-affiliated shipper information by the marketing affiliates' systems applications or databases except as permitted in 2. below. The policy will also state appropriate disciplinary measures for employees who violate the policy.

2. TWC pipelines and the marketing affiliate(s) will develop written procedures for assuring that the marketing affiliates' computer systems applications or databases do not have preferential access to transportation information, as required by Standard F, or have access to confidential non-affiliated shipper information, as prohibited by Standard E. TWC pipelines and the marketing affiliate(s) will submit their procedures to OMOI within 60 days of the Issuance Date for approval. The procedures will identify the appropriate documentation to be available to the Compliance Officer to carry out responsibilities described herein.

3. TWC, et al. will notify all Gas-related Employees of the procedures after OMOI's approval of such policies and procedures.
4. The Compliance Officer will be responsible for the following:
  - e. Developing and maintaining a list of all existing databases that contain TWC pipeline transportation information or confidential non-affiliated shipper information.
  - b. Developing, for the TWC pipelines, a list of all existing marketing affiliate natural gas-related software or database programs.
  - c. Being notified of all gas-related database or software installations or upgrades.
  - d. Developing a form for requesting new gas-related systems, applications, databases or software or upgrades.
  - e. Making the form available on TWC, et al.'s Intranet web site.
  - f. Requiring that TWC, et al.'s IT Department submit all requests for new gas-related software or database installations or upgrades electronically or in writing to the Compliance Officer.
  - g. Reviewing and documenting data on the new installations or upgrades to understand the information that will be integrated and to assess whether an installation or upgrade may compromise TWC pipeline transportation information or confidential non-affiliated shipper information.
  - h. Based on the information obtained about the new installation or upgraded document, approving or disapproving the installation or upgrade on the form available from TWC, et al.'s Intranet web site.
  - i. Submitting the approved form to the TWC, et al. IT Department employee who implements the installation or upgrade and instructing that employee to document the completion of the installation or upgrade in the form and then return the form to the Compliance Officer.
  - j. Maintaining all records of computer linkage requests, approvals, denials, set ups, cancellations, and changes until the next Standards of Conduct audit by the Commission.

## **VI. Auditing**

1. TWC, et al. will develop written procedures for requiring one independent audit and risk assessment, to be conducted during the first year in which this Compliance Plan is in effect, of all marketing affiliate computer access to any TWC pipeline's transportation information or confidential non-affiliated shipper information, through direct or indirect access.

TWC, et al. will:

- a. Use the lists developed in Section IV.4a. and b. to determine the software and databases the independent audit and risk assessment will cover.
  - b. Request bids for an independent audit and risk assessment of marketing affiliate employee, software, and database access to any TWC pipeline transportation information or confidential non-affiliated shipper information within 60 days after approval of the computer access policies and procedures by OMOI.
  - c. Choose a bid based on estimated completion date and estimated expenditure.
  - d. Require a penalty for failure to meet the estimated completion date.
  - e. Require the audit firm to submit the audit program and risk assessment to OMOI for approval prior to beginning the process.
  - f. Require the audit firm to submit, under oath, its findings to the Compliance Officer, OMOI, and TWC's Board of Directors.
  - g. Review Audit findings, determine which recommendations will be implemented, and document in the audit record why any recommendations were not implemented.
  - h. Require that those actions resulting from g. above be initiated and, if possible, completed within 30 days after submission of the audit report.
  - i. Explain why any recommended actions were not implemented.
  - j. Require that all audit and risk assessment records and working papers be maintained until the next Standards of Conduct audit by the Commission.
2. TWC, et al. will develop written procedures for requiring a yearly internal audit, to be conducted during the second through fourth years in which this Compliance Plan is in effect, of all marketing affiliate computer access to any TWC pipeline's transportation information or confidential non-affiliated shipper information, either through direct access or indirect access.
  3. TWC, et al., will submit these procedures to OMOI by December 31, 2003 for approval.
  4. The Compliance Officer will be responsible for the following :
    - f. Requiring an internal audit during the third quarter of each year of employee, software, and database access to all TWC pipelines' transportation information or confidential, non-affiliated shipper information, beginning with the third quarter of 2004.

- b. Requiring TWC, et al.'s Internal Audit Department (IA Department) to submit the risk assessment and audit program to OMOI for approval prior to beginning the process.
- c. Requiring the IA Department to submit, under oath, its findings to the Compliance Officer, OMOI, and TWC's Board of Directors.
- d. Reviewing Audit findings, determining which recommendations will be implemented and documenting in the audit record why any recommendations were not implemented.
- e. Requiring that those actions resulting from d. above be initiated and, if possible, completed within 30 days after submission of the audit report.
- f. Requiring that all working papers and audit records be maintained until the next Standards of Conduct audit by the Commission.

## **VII. IT Security**

1. TWC, et al. will eliminate any links or superior access that any marketing affiliate employee, computer system, software or database possesses to TWC pipeline transportation information or confidential non-affiliated shipper information, as discussed in V.2 above.
2. TWC, et al. will implement a security architecture that will provide a common means of managing, enforcing and auditing access to servers, folders, files, etc., across a list of non-mainframe platforms ranging from AIX, UNIX, Windows, etc. This effort should be completed by December 2003.
3. TWC, et al. will manage systems, databases and applications that integrate with Centralized Security Integrated Management Software. With the Centralized Security Integrated Management Software, TWC et al. will manage the creation, deletion, disabling and enabling of system and user accounts. TWC et al. will submit to OMOI procedures requiring prompt notification to the Compliance Officer of any violations of a computer access policy.
4. TWC, et al. will implement "VigilEnt Policy Center," which will enable TWC, et al. to develop policies and technical standards that comply with industry regulations, and will document the policies for reporting to auditors and TWC, et al.'s executive management.

## **VIII. Discount Reporting**

6. TWC, et al. will develop a written policy for assuring the accuracy of the TWC pipelines' discount reporting, stating measurable goals and specific consequences.

The policy will state that TWC pipelines will require quarterly reviews of discount reporting for transactions with marketing affiliates or non-affiliates, and transactions in which marketing affiliates were involved (such as, but not limited to, by acting as asset managers). The policy will also state appropriate disciplinary measures for employees who violate the policy.

7. TWC, et al. will submit the policy to OMOI within 60 days after the Issuance Date for approval.
8. TWC, et al. will provide to OMOI a description of each TWC pipeline's current procedures for ensuring accurate and timely reporting of discounts. TWC, et al. will provide to OMOI a description of new procedures with which each TWC pipeline will enhance the accuracy and timeliness of its reporting of discounts. TWC, et al. will submit to OMOI the description and these procedures within 90 days of the Issuance Date and will implement the procedures 30 days after OMOI's approval.
9. TWC, et al. will notify all Gas-related Employees involved in discounting of discount reporting policy and procedures after OMOI has approved such policies and procedures.
10. TWC, et al. will develop written procedures for conducting quarterly reviews of TWC pipelines' discount reporting and submit the written procedures to OMOI within 90 days after the Issuance Date for approval. TWC, et al. will implement the procedures for all periods beginning with the second quarter of 2003. TWC et al. will use diligent efforts to complete the review of the discounts for the second quarter of 2003 in the event that the procedures are approved after the end of that quarter.
6. The Compliance Officer will be responsible for the following:
  - a. Obtaining each TWC pipeline's discount information in the format of the Commission's Form No. 592 (see 18 C.F.R. § 250.16(d)), following the end of each calendar quarter.
  - b. Obtaining copies of each TWC pipeline's web site discount postings (see 18 C.F.R. § 161.3(h)) for the quarter, following the end of the quarter.
  - c. Obtaining copies of all reports of each TWC pipeline's Firm and Interruptible Services (see 18 C.F.R. § 284.13(b)) for the quarter, following the end of the quarter.

- d. For each TWC pipeline, comparing the three documents for compliance with Commission regulations and consistency with each other.
- e. Documenting any problems noted and the method of determining what information is correct.
- f. Correcting any inaccurate discount reporting and documenting that the corrections were made for each pipeline within 30 days following the end of the quarter.
- g. Identifying conspicuously, as corrected or late, any website postings involving discount reports that require correction or posting.
- h. If discounted transactions with marketing affiliates or discounted transactions in which marketing affiliates were involved were either not reported or reported inaccurately, obtaining a list of all shippers that are determined to be similarly situated.
- i. Calculating any refund due to the non-affiliated shippers listed in response to h. above that are determined to be similarly situated and which did not receive the discount and paying the refund, with interest, within 60 days after the end of the quarter.
- j. Submitting documentation to OMOI of the quarterly review within 70 days following the end of the quarter.
- k. If the Commission revises its Standards of Conduct regarding discount reporting, TWC, et al. will provide to OMOI new procedures that respond to the revisions within 60 days after the effective date of the revised Standards of Conduct.

## **IX. Index of Customers Reports and Transactional Reports**

1. TWC, et al. will develop a written policy for assuring the accuracy of each TWC pipeline's Index of Customers reports and Transactional Reports (hereinafter collectively referred to as Transportation Reports), with measurable goals and specific consequences.

The policy will state that TWC, et al. will require semi-annual reviews of TWC pipelines' Transportation Reports filed with the Commission and posted on their web sites. The policy will also state appropriate disciplinary measures for employees who violate the policy.

2. TWC, et al. will submit the Transportation Reports reporting policy to OMOI within 60 days after the Issuance Date for approval.
3. TWC, et al. will provide to OMOI a description of each TWC pipeline's current procedures for ensuring the accuracy and timeliness of reporting of the Transportation Reports. TWC, et al. will provide to OMOI a description of new

procedures for each TWC pipeline to enhance the accuracy and timeliness of the reporting of its Transportation Reports. TWC, et al. will submit the description and these procedures within 90 days of the Issuance Date.

4. TWC, et al. will implement the Transportation Reports reporting procedures described in 3. above within 30 days after approval of the procedures by OMOI.
5. TWC, et al. will notify all Gas-related Employees involved in the Transportation Reports of the Transportation Reports reporting policy and procedures after OMOI approval of such policies and procedures.
6. TWC, et al. will develop written procedures for conducting semi-annual reviews of Transportation Reports and submit these procedures to OMOI within 60 days after the Issuance Date for approval. These procedures will be effective beginning with the semi-annual period covering July through December 2003. In view of the voluminous nature of the Transactional Reports and in order to accommodate the reporting requirement set forth below, sampling techniques will be included in the procedures to be submitted by TWC, et al. and will be approved by OMOI. In no event shall the collection and review of the sample impose an unreasonable expense or undue burden upon TWC, et al. After receiving the first three semi-annual reviews OMOI may propose to TWC, et al. amendments to the written procedures and to the responsibilities of the Compliance Officer with respect to Transactional Reports.
7. The Compliance Officer will be responsible for the following:
  - a. Obtaining each TWC pipeline's Index of Customers Reports and a sample of each TWC pipeline's Transactional Reports for the semi-annual period.
  - b. Obtaining a list of each TWC pipeline's firm contracts in effect as of the first day of the calendar quarter for the semi-annual period following the end of the semi-annual period.
  - c. Comparing each TWC pipeline's Index of Customers reports and list of firm contracts for compliance with Commission regulations and consistency with each other.
  - d. Reviewing a sample of each TWC pipeline's Transactional Reports for compliance with the Commission's regulations.
  - e. Documenting the problems noted and the method of determining what information is correct.
  - f. Correcting any inaccurate Index of Customers Reports and documenting that the corrections were made, within 45 days after the end of the semi-

annual period. Corrections to the Transactional Reports shall be prospective only.

- g. Identifying conspicuously, as corrected or late, any TWC pipeline's web site Index of Customers postings that require correction or reposting.
- h. Submitting all documents supporting the work to OMOI within 70 days after the end of the semi-annual period.

## **X. Document Retention**

1. TWC, et al. will develop a written policy for assuring the retention of all documents in accordance with 18 C.F.R. § 225.3 and the Commission Order approving the Agreement. The policy will have measurable goals and specific consequences.

The policy will state that each TWC pipeline will retain all contracts, including amendments and agreements and memoranda essential to clarifying or explaining provisions of contracts, including written requests for transportation service (approved and denied), written requests for discounts (approved or denied) (herein collectively referred to as "transportation-related documents") in a specifically determined retention area. The policy will state that those contract files that are active will be maintained separately from files for those contracts that are terminated. The policy will state that TWC pipeline employees will file all natural gas transportation-related documents, in the contract file if a contract is reached, or in a separate file if the contract is denied, withdrawn, etc. The policy will state that customers will submit written requests for transportation or discounts, or that TWC pipeline employees taking verbal requests for transportation or discounts will document in writing each such discussion. The policy will also state appropriate disciplinary measures for employees who violate the policy.

2. TWC, et al. will submit the document retention policy to OMOI within 60 days after the Issuance Date for approval.
3. TWC, et al. will develop written procedures to ensure complete and accurate documentation of all requests for natural gas transportation or discounts, whether approved, denied, or partially approved, and will submit these procedures to OMOI within 90 days of the Issuance Date for approval.
4. The Compliance Officer will be responsible for the following:

- a. Developing an Internet-based request form for each TWC pipeline for discount requests.
  - b. Developing for each TWC pipeline an internal transportation request form, an internal discount request form, and a "note to the file" form, in order to document every request for transportation, request for discount, and other memorandum required to be retained under the policy, whether approved, partially approved, or denied.
  - c. Developing a filing system that will file active contracts separately from terminated contracts or those requests that were never turned into a contract.
  - d. Developing a system by which all forms, notes, memoranda, etc., are filed with the original contract or with the denied request within five business days after the discussion (verbal or written) to which the document relates.
  - e. Submitting all Transportation-related Documents to a designated Contract Manager and instructing the Contract Manager to date stamp them.
  - f. Developing a mandatory training segment on this requirement that is included in TWC, et al.'s Standards of Conduct training.
5. TWC, et al. will develop a written procedure for ensuring that each TWC pipeline has copies, electronic or "hard-copy," of all transportation contracts that are in effect as of the Issuance Date. TWC, et al. will submit these procedures to OMOI within 60 days of the Issuance Date for approval. These procedures will be effective 60 days after receipt of OMOI's approval.
- a. TWC, et al.'s IA Department will obtain a list of each TWC pipeline's existing active contracts.
  - b. The IA Department will determine if copies exist for all active contracts.
  - c. For those contracts that are active but for which no copy of the contract exists, the IA Department will use diligent efforts to obtain a copy of the contract from the shipper within 90 days after the Issuance Date.
  - d. The IA Department will submit, under oath, its findings to the Compliance Officer, OMOI, and TWC's Board of Directors within 120 days after the Issuance Date.
  - e. The IA Department will review Audit findings and determine which recommendation will be implemented.
  - f. The IA Department will require those actions resulting from e. above to be initiated and, if possible, completed within 60 days of the submission of the audit report.
  - g. The IA Department will require all working papers and audit records be maintained until the next Standards of Conduct audit by the Commission.

## **XI. Organization Charts**

4. TWC, et al. will develop a written policy for assuring that TWC, et al.'s corporate and employee organization charts are updated in accordance with 18 C.F.R. § 161.3(1)(2) and the Commission Order approving the Agreement. The policy will contain measurable goals and specific consequences.

The policy will state that TWC, et al. will require the corporate and employee organization charts on its web site to be updated within three business days of the effective date of a change and will post those charts in accordance with the method approved by the North American Energy Standards Board. The policy will also state appropriate disciplinary measures for employees who violate the policy.

5. TWC, et al. will submit the organization charts policy to OMOI within 60 days after the Issuance Date for approval.
6. TWC, et al. will develop written procedures, and submit them to OMOI within 90 days of the Issuance Date for approval, to ensure that complete, accurate, and timely corporate and employee organizational charts are posted on TWC pipeline web sites.
4. The Compliance Officer will be responsible for the following:
  - a. Developing a notice of change of corporate structure form to be posted on TWC, et al.'s Intranet web site.
  - b. Developing a notice of change of employee status form to be posted on TWC et al.'s Intranet web site.
  - c. Requiring the Corporate Secretary of TWC to notify the Compliance Officer of a change in corporate structure within one business day after the effective date of a change, using the Intranet form.
  - d. Requiring TWC, et al.'s HR Department to notify the Compliance Officer of a change of employee status within one business day after the effective date of the change, using the Intranet form.
  - e. Changing TWC, et al.'s Internet web site posting within three business days after the effective date of a material change in corporate structure or employee status.
  - f. On a quarterly basis, requesting a complete corporate structure listing from TWC's Corporate Secretary.

- g. On a quarterly basis, requesting a complete employee listing from TWC, et al.'s HR Department.
- h. On a quarterly basis, determining if the TWC, et al. Internet web site corporate structure and employee postings are accurate by comparing them to the listings obtained from TWC's Corporate Secretary and TWC, et al.'s HR Department.
- i. Identifying conspicuously, as corrected or late, any organizational change web site postings that require correction or posting.
- j. Submitting, on a quarterly basis, a report to OMOI describing any problems noted and the corrective actions, if necessary, taken.
- k. Maintaining all documents related to the work until the next Standards of Conduct audit by the Commission.

ATTACHMENT

Current List of Northwest Pipeline Corporation's Marketing Affiliates:

WILLIAMS ENERGY MARKETING & TRADING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

TRANSCO ENERGY MARKETING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

TXG GAS MARKETING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

WILLIAMS ALLIANCE CANADA MARKETING INC.  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

Current List of Texas Gas Transmission Corporation's Marketing Affiliates

Transco Energy Marketing Company (TEMCO)  
One Williams Center  
P.O. Box 2848 (74101-9567) Tulsa, OK 74172

TXG Gas Marketing Company (TXG)  
One Williams Center  
P.O. Box 2848 (74101-9567) Tulsa, OK 74172

Williams Alliance Canada Marketing Inc. (WACM)  
One Williams Center  
P.O. Box 2848 (74101-9567) Tulsa, OK 74172

Williams Energy Marketing and Trading Company (WEM&T)  
One Williams Center  
P.O. Box 2848 (74101-9567) Tulsa, OK 74172

Williams GSR, LLC  
One Williams Center  
P.O. Box 2848 (72101-9567) Tulsa, OK 74172

Current List of Transcontinental Gas Pipe Line Corporation's Marketing Affiliates

WILLIAMS ALLIANCE CANADA MARKETING INC  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

WILLIAMS ENERGY MARKETING AND TRADING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

TRANSCO ENERGY MARKETING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172

TXG GAS MARKETING COMPANY  
ONE WILLIAMS CENTER  
P. O. BOX 2848 (74101-9567) TULSA, OK 74172