



FEDERAL ENERGY REGULATORY COMMISSION

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Commission Approves Two Settlements for \$7.3 Million; Civil Penalties Resolve Capacity Release, Shipper-Must-Have-Title Violations

The Federal Energy Regulatory Commission (FERC) today assessed civil penalties totaling \$7.3 million in approving settlements of two separate enforcement matters involving BP Energy Company (BP) and MGTC, Inc. (MGTC).

Both settlements involve self-reported violations of FERC's capacity release policies. Different facts and circumstances, however, resulted in BP agreeing to settle with a payment of \$7 million and MGTC settling for \$300,000.

"FERC's capacity release program is a core element of our natural gas regulatory program, and violation of the regulations and requirements governing capacity release warrants significant penalties," Chairman Joseph T. Kelliher said. The Chairman also noted that "each company could have faced substantially higher penalties had it not self-reported its violations, and had it not also demonstrated exemplary cooperation with FERC's Enforcement staff during the investigation. What should be clear to the industry is that FERC places a high value on a company's commitment to rectifying inappropriate conduct by self-reporting its violations and cooperating with staff's investigation."

With these two settlements, FERC since January 2007 has approved 12 settlements with natural gas and electric entities and assessed civil penalties totaling \$39.8 million.

BP Energy Company

BP will pay a civil penalty of \$7 million and implement a compliance monitoring plan to resolve multiple self-reported violations of regulations for posting and bidding of released capacity, the shipper-must-have-title requirement, and the prohibition on buy-sell transactions. The violations involved thousands of individual transactions in 2005 and 2006 stemming from BP's management of customers' capacity rights on interstate natural gas pipeline and storage facilities.

The most serious of BP's violations involves a practice known as "flipping," which evidences a deliberate strategy for evading FERC regulations that require posting and competitive bidding for discounted long-term releases of capacity.

BP avoided the posting and bidding requirements by improperly arranging for serial short-term releases of discounted capacity to two BP-affiliated replacement shippers on an alternating monthly basis, an arrangement that continued for 22 months in one instance. FERC found that BP transported 24.9 billion cubic feet (Bcf) of natural gas on capacity it acquired improperly through flipping transactions. The Commission noted that this practice is "particularly serious in nature" and "warrants a substantial civil penalty."





In addition to the flipping violations, BP had a large number of shipper-must-have-title violations and engaged in two prohibited buy-sell arrangements. In total, BP's violations involved 49.3 Bcf of gas and occurred on 14 major pipeline systems, the Commission said. The Commission also noted that BP's actions "directly affected the transparency of the secondary market for natural gas transportation" and "impaired the effectiveness of the Commission's pipeline open-access policies."

In addition to the civil penalty, BP will implement a compliance monitoring plan for at least one year under the Enforcement staff's supervision.

MGTC, Inc.

MGTC, a recently acquired subsidiary of Anadarko Petroleum Corporation (Anadarko), will pay a civil penalty of \$300,000 and submit a compliance report to resolve its self-reported violations of the Commission's shipper-must-have-title requirement regarding a contract for interruptible transportation on its affiliated interstate pipeline, MIGC, Inc. (MIGC).

FERC found that MGTC violated the shipper-must-have-title requirement and MIGC's tariff, under which the title requirement applies to interruptible as well as firm transportation. MGTC transported approximately 17.2 Bcf of natural gas since 1998 in violation of the shipper-must-have-title requirement.

The Commission noted that, in addition to occurring on an interruptible contract, MGTC's violation did not result in unjust profits, and that there was no demonstrable harm to third parties caused by MGTC's violations.

In addition to the civil penalty, MGTC will submit a compliance report verifying the steps it has taken with respect to all related aspects of the transportation transaction(s) to correct the violation.

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