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FEDERAL TRADE COMMISSION

[File No. 151 0172]

Energy Transfer Equity, L.P. and The Williams Companies, Inc.; Analysis to Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed Consent Agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of federal law prohibiting unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the complaint and the terms of the consent orders -- embodied in the consent agreement -- that would settle these allegations.

DATES: Comments must be received on or before July 11, 2016.

ADDRESSES: Interested parties may file a comment at https://ftcpublic.commentworks.com/ftc/energytransferequityconsent online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY INFORMATION** section below. Write "In the Matter of Energy Transfer Equity, L.P., - Consent Agreement; File No. 151 0172" on your comment and file your comment online at https://ftcpublic.commentworks.com/ftc/energytransferequityconsent by following the instructions on the web-based form. If you prefer to file your comment on paper, write "In the Matter of Energy Transfer Equity, L.P., - Consent Agreement; File No. 151 0172" on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-

5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: Brian J. Telpner (202-326-2782), Bureau of Competition, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. 46(f), and FTC Rule 2.34, 16 CFR § 2.34, notice is hereby given that the above-captioned consent agreement containing consent orders to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for June 9, 2016), on the World Wide Web, at http://www.ftc.gov/os/actions.shtm.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before July 11, 2016. Write "In the Matter of Energy Transfer Equity, L.P., - Consent Agreement; File No. 151 0172" on your comment. Your comment - including your name and your state - will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at http://www.ftc.gov/os/publiccomments.shtm. As a matter of discretion, the Commission tries to remove individuals' home contact information from comments before placing them on the Commission Website.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone's Social

Security number, date of birth, driver's license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any "[t]rade secret or any commercial or financial information which . . . is privileged or confidential," as discussed in Section 6(f) of the FTC Act, 15 U.S.C. § 46(f), and FTC Rule 4.10(a)(2), 16 CFR § 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c), 16 CFR § 4.9(c).[1] Your comment will be kept confidential only if the FTC General Counsel, in his or her sole discretion, grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at https://ftcpublic.commentworks.com/ftc/energytransferequityconsent by following the instructions on the web-based form. If this Notice appears at http://www.regulations.gov/#!home, you also may file a comment through that website.

[1] In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c), 16 CFR § 4.9(c).

If you file your comment on paper, write "In the Matter of Energy Transfer Equity, L.P., - Consent Agreement; File No. 151 0172" on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue, NW, Suite CC-5610 (Annex D), Washington, DC 20580, or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Constitution Center, 400 7th Street, SW, 5th Floor, Suite 5610 (Annex D), Washington, DC 20024. If possible, submit your paper comment to the Commission by courier or overnight service.

Visit the Commission Website at http://www.ftc.gov to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before July 11, 2016. You can find more information, including routine uses permitted by the Privacy Act, in the Commission's privacy policy, at http://www.ftc.gov/ftc/privacy.htm.

Analysis of Agreement Containing Consent Orders to Aid Public Comment

I. Introduction

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") with Energy Transfer Equity, L.P. ("ETE") and The Williams Company, Inc. ("Williams"). The Consent Agreement is designed to remedy the anticompetitive effects that would likely result from ETE's proposed acquisition of Williams.

Under the terms of the proposed Decision and Order ("Order") contained in the Consent Agreement, ETE must divest to a Commission-approved buyer Williams' ownership interest in

Gulfstream Natural Gas System L.L.C. ("Gulfstream"), an interstate natural gas pipeline serving peninsular (central and southern) Florida. The Order also addresses competitive concerns arising from ETE's post-merger control over a Williams pipeline segment that serves as the origin for a new interstate pipeline that will begin serving Florida in 2017. The Order maintains the premerger bargaining position of the new pipeline to negotiate future capacity expansions over the Williams pipeline segment.

The Commission has placed the Consent Agreement on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Consent Agreement and the comments received, and will decide whether it should withdraw from the Consent Agreement, modify it, or make the Order final.

II. The Parties and Other Entities

A. ETE

ETE is a master limited partnership controlling a family of companies that own and operate approximately 71,000 miles of natural gas, natural gas liquids, refined products, and crude oil pipelines. ETE has a 50 percent ownership interest in Florida Gas Transmission LLC ("FGT"), one of two interstate pipelines currently transporting natural gas to peninsular Florida.

B. Williams

Williams is an energy infrastructure company focusing primarily on natural gas and natural gas liquids infrastructure assets in North America. Its major holdings include natural gas transportation, gathering, treating, and processing assets in multiple natural gas-producing areas. Williams has a 50 percent ownership interest in Gulfstream, which is the other interstate pipeline currently transporting natural gas to peninsular Florida. Williams is also the sole owner of

Transcontinental Gas Pipe Line Company, LLC ("Transco"), a large interstate pipeline system that extends from Texas, Louisiana, and the offshore Gulf of Mexico through the Atlantic seaboard and into the New York metropolitan area.

C. Sabal Trail

Sabal Trail Transmission, LLC ("Sabal Trail") is a new interstate pipeline that will begin transporting natural gas to parts of peninsular Florida in May 2017. Sabal Trail's sole access to natural gas sources will be via a leased segment on the Williams-owned Transco system. Sabal Trail and Transco are parties to a capacity lease agreement whereby Transco has agreed to expand the leased segment on its system in several phases – with each phase to provide a specific amount of new pipeline capacity – to support Sabal Trail's operations in peninsular Florida.

III. The Proposed Acquisition

ETE and several affiliates under its control entered into a merger agreement with Williams, dated September 28, 2015, pursuant to which Williams will be merged with and into Energy Transfer Corp LP, a newly created ETE affiliate that will survive the merger (the "Acquisition"). The combined entity will become the third largest energy company in North America, with a geographically diverse asset portfolio used in the transportation, processing, and storage of natural gas and natural gas liquids.

The Commission's Complaint alleges that the Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by substantially lessening competition for the firm transportation of natural gas by interstate pipeline to locations in peninsular Florida.

IV. The Relevant Markets

Florida's largest natural gas shippers are electric power generation utilities, which use natural gas to generate electricity for distribution to Florida consumers and businesses. These shippers depend on the efficient, reliable, and cost-effective transportation of natural gas via interstate pipelines because Florida has virtually no in-state natural gas production and no natural gas storage.

The Commission's Complaint alleges that the relevant product market within which to analyze the Acquisition is the firm transportation of natural gas by interstate pipeline. Firm pipeline transportation guarantees shippers the right to a certain amount of pipeline capacity, which generally is not subject to interruption or curtailment by the pipeline. Because Florida natural gas shippers, especially electric utilities, require a constant and reliable source of natural gas, they could not meaningfully substitute non-firm transportation services even if the cost of firm pipeline transportation were to increase.

The Commission's Complaint alleges that the relevant geographic market in which to assess the competitive effects of the Acquisition is peninsular Florida, which includes pipeline delivery points in central and southern Florida.

Market concentration will significantly increase because of the Acquisition. Many natural gas delivery points in peninsular Florida are connected to (or reasonably can connect to) both FGT and Gulfstream. For shippers located at these delivery points, the Acquisition results in a pipeline monopoly. A small number of delivery points connect to (or reasonably can connect to) FGT, Gulfstream, and – by May 2017 – Sabal Trail. For shippers located at these delivery points, the merger reduces competitive alternatives from three to two.

V. Effects of the Acquisition

The Acquisition likely would substantially lessen competition for the provision of firm natural gas pipeline transportation to delivery points in peninsular Florida. The Acquisition would eliminate competition between FGT and Gulfstream that historically has enabled Florida shippers to obtain lower transportation rates and better terms of service. Absent the Acquisition, competition between FGT and Gulfstream likely would continue to allow Florida shippers to negotiate better rates and non-price terms.

In addition, the Acquisition likely will change the incentives of Transco's owner to accommodate future capacity expansions of Sabal Trail via Transco. FGT can add relatively small amounts of capacity to its system more cost-effectively than can Gulfstream. Moreover, FGT's pipeline system overlaps with the proposed Sabal Trail system more extensively than does Gulfstream's system. If Sabal Trail cannot expand its capacity, shippers who cannot obtain new capacity on Sabal Trail will more likely turn to FGT for that capacity than to Gulfstream. Thus, unlike Williams, which had little or no incentive to deny Sabal Trail additional volumes on Transco, ETE will have an incentive to forestall expansions on Sabal Trail in order to capture those expansions on FGT.

VI. Entry Conditions

Entry into the relevant markets would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects arising from the Acquisition. Barriers to entry are significant and include the high capital costs of constructing a new interstate pipeline and the substantial time needed to design, permit, and construct a new pipeline system. Moreover, constructing a new pipeline system would require commitments from shippers based on significant new market demand for natural gas. Such market demand is unlikely to accumulate for the foreseeable future.

VII. The Agreement Containing Consent Order

The proposed Order resolves the anticompetitive concerns described above by requiring ETE to divest Williams' ownership interest in Gulfstream and by restoring Sabal Trail's premerger bargaining power to negotiate future capacity expansions on Transco.

To preserve competition between FGT and Gulfstream, the proposed Order requires that, within 180 days of closing the Acquisition, ETE must divest Williams' 50 percent interest in Gulfstream to a Commission-approved buyer. Post-closing divestiture is appropriate because this ownership interest is a high-value, low-risk asset likely to generate substantial interest among more than one potentially acceptable buyer. Under the terms of the Order to Maintain Assets contained in the Consent Agreement, ETE must maintain Gulfstream in substantially similar condition until the divestiture process is complete, thereby preserving Gulfstream as a viable, competitive, and marketable asset.

Any acquirer of Williams' ownership interest in Gulfstream must receive prior approval from the Commission. The Commission's goal in evaluating possible purchasers of divested assets is to maintain the competitive environment that existed prior to the acquisition. A proposed acquirer of divested assets must not itself present competitive problems.

The proposed Order also preserves Sabal Trail's future competitiveness by ensuring Sabal Trail's ability to negotiate additional Transco expansions. First, the proposed Order incorporates the capacity lease agreement between Transco and Sabal Trail, which reflects terms Transco and Sabal Trail reached when an independent and motivated commercial partner owned Transco. The proposed Order gives Sabal Trail additional flexibility and optionality in obtaining the phased capacity expansions already contemplated by the capacity lease agreement. The proposed Order terminates twelve years after it issues, in order to cover the entirety of ETE's obligations for the expansions currently outlined in the capacity lease agreement.

Second, the Order requires that, within one year of the closing of the Acquisition, ETE offer to amend the capacity lease agreement to allow Sabal Trail to request expansions for as long as an additional eight years after the last expansion currently in the capacity lease agreement. These provisions ensure that Sabal Trail has the same future expansion opportunities as would have existed if an independent Williams continued to own Transco.

ETE must offer future expansions on the same terms and conditions that Transco negotiated as an independent entity. For each requested expansion, ETE must inform Sabal Trail of the estimated expansion cost, using the same methodology for each that Transco uses in its normal course of business. ETE then is obligated to expand Transco as requested by Sabal Trail. However, to prevent Sabal Trail from requesting cost-prohibitive expansions – expansions that an independent Williams would not have agreed to – ETE retains the right to require Sabal Trail to pay for the capital costs of the expansion, in which case ETE would not charge Sabal Trail a lease fee for that particular expanded capacity.

The proposed Order does not obligate ETE to expand Transco if Sabal Trail does not have (or has not secured pre-construction commitments from shippers for) sufficient capacity to use the expansion to serve Florida. The Acquisition does not change the incentives of Transco's owner to deny capacity expansions to serve areas outside of Florida. Thus, without this limitation, the proposed Order could give Sabal Trail expansion rights it would have been unable to negotiate from an independent Transco.

The Commission does not intend this analysis to constitute an official interpretation of the proposed Order or to modify its terms in any way.

By direction of the Commission.

Donald S. Clark
Secretary.

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