

AGREEMENT

Williams Power Company, Inc. ("WPC") formerly Williams Energy Marketing & Trading Co. ("WEMT"), a Delaware Corporation and a wholly owned subsidiary of The Williams Companies, Inc. ("Williams"), a Delaware Corporation, by its undersigned officer, pursuant to authority granted by its Board of Directors, the United States Department of Justice Fraud Section ("Fraud Section") and the United States Attorney's Office for the Northern District of California ("USAO NDCal") enter into this Agreement in resolution of the Fraud Section and the USAO NDCal's ongoing criminal investigation into the knowing delivery of knowingly inaccurate reports concerning a commodities market by certain former WPC employees (the "Investigation").

1. WPC accepts and acknowledges that, if it commits a willful and knowingly material breach of the terms and conditions of this Agreement, the Fraud Section and/or USAO NDCal may file a criminal complaint in the appropriate United States District Court charging WPC with knowingly delivering knowingly inaccurate reports concerning the commodities market for natural gas, in violation of Title 7, United States Code, Section 13(a)(2).

2. WPC acknowledges that the Fraud Section and USAO NDCal have developed information during the Investigation that certain former WPC employees submitted inaccurate information to natural gas industry publications as set forth in the Statement of Facts attached hereto as Annex A and incorporated herein by reference. By entering into this Agreement and by, among other things, the substantial remedial actions it has taken to date, its continuing commitment of full cooperation as directed by the Fraud Section and USAO NDCal, its agreement to pay substantial monetary fines, and the other undertakings it has made as set forth herein, WPC accepts and acknowledges responsibility for the conduct of its former employees as set forth in the Statement of Facts. WPC agrees it will not contest the admissibility into evidence

of the Statement of Facts in any subsequent criminal proceedings occurring in the event of a breach of this Agreement.

3. WPC expressly agrees that it shall not, through its present or future attorneys, board of directors, officers, or management employees, make public statements contradicting the Statement of Facts. Should the Fraud Section and USAO NDCal decide in their sole discretion that a public statement by any such person contradicts the Statement of Facts and should be imputed to WPC for the purpose of determining whether WPC has breached this Agreement, they shall notify WPC and provide WPC with an opportunity to publicly correct such statement. WPC shall avoid a breach of this Agreement by publicly correcting such statement within 48 hours after such notification. WPC agrees that in the event that future criminal proceedings were to be brought in accordance with Paragraphs 12 and/or 14 of this Agreement, WPC will not contest the admissibility of the Statement of Facts in any such proceeding.

4. Consistent with WPC's obligations as set forth above, WPC and its parent company and affiliates, and its present and former officers, agents, and employees shall be permitted to raise and support defenses and/or assert and support affirmative claims in civil and regulatory proceedings relating to the matters set forth in the Statement of Facts. Nothing stated in this Agreement is intended or shall operate as a waiver of WPC's rights under Federal Rule of Evidence 408.

5. WPC agrees to cooperate fully with the Fraud Section, USAO NDCal, and with any other agency designated by the Fraud Section and/or USAO NDCal, regarding any matter about which WPC has knowledge. WPC's agreement to cooperate shall extend until the completion of the Fraud Section and USAO NDCal's investigation of any criminal activity relating to false reporting concerning natural gas commodities, including any investigations or prosecutions of others.

6. WPC agrees that its cooperation, as agreed to in Paragraph 5 above, shall include, but is not limited to, the following:

(a) Completely and truthfully disclosing all information as may be requested by the Fraud Section and/or USAO NDCal with respect to the activities of WPC and its parent company and affiliates, and its present and former officers, agents, and employees, concerning all matters inquired into by the Fraud Section and/or USAO NDCal;

(b) Assembling, organizing, and providing on request from the Fraud Section and/or USAO NDCal, all documents, records, or other tangible evidence in WPC's possession, custody, or control;

(c) Not asserting a claim of attorney-client or work-product privilege as to any documents, information, or testimony requested by the Fraud Section and/or USAO NDCal related to internal factual investigations or contemporaneous advice given to WPC concerning the conduct at issue. Notwithstanding the foregoing, nothing in this Section shall be considered a waiver of the attorney-client or attorney work product privileges with respect to the opinions of counsel, mental impressions of counsel, communications between counsel, or lawful advice of counsel, and WPC, its parent company and affiliates shall not be required to produce documents or other evidence with respect to such opinions, mental impressions, communications or advice. In making production of any such documents, WPC neither expressly nor implicitly waives its right to assert any privilege with respect to the produced documents or the subject matter thereof that is available under law against non-parties to this Agreement.

(d) Using its best efforts to make available its employees to provide information and/or testimony as requested by the Fraud Section and/or USAO NDCal, including sworn testimony before a federal grand jury or in federal trials, as well as interviews with federal law

enforcement authorities. Cooperation under this Paragraph will include identification of witnesses who, to WPC's knowledge, may have material information regarding the matters under Investigation;

(e) Using its best efforts to make available for interviews, or for testimony, present or former WPC officers, directors, and employees as requested by the Fraud Section and/or USAO NDCal;

(f) Providing testimony and other information deemed necessary by the Fraud Section, USAO NDCal or a court to identify or establish the original location, authenticity, or other evidentiary foundation necessary to admit into evidence documents in any criminal or other proceeding as requested by the Fraud Section and/or USAO NDCal.

7. WPC shall continue to comply with any currently in force written agreements between WPC and any other federal agency as long as any such agreements shall remain in effect.

8. WPC agrees to pay \$50,000,000 to the United States Treasury as a monetary penalty. WPC shall make such payments on the following terms: \$20,000,000 within thirty (30) days of the date of the Agreement, and the remaining \$30,000,000 to be paid on or before the one year anniversary of this Agreement. If WPC fails to fulfill its obligations to pay the penalty, WPC will not oppose entry of a monetary judgment against it for the unpaid amount. WPC also will not resist collection efforts by the Fraud Section and USAO NDCal.

9. In light of WPC's remedial actions to date and its willingness to (i) acknowledge responsibility for the conduct of its employees; (ii) continue its cooperation with the Fraud Section, USAO NDCal and other governmental regulatory agencies; (iii) demonstrate its future good conduct and full compliance with the commodities trading laws and generally accepted

accounting procedures; and (iv) consent to payment of the monetary penalty set forth in Paragraph 8 above, the Fraud Section and USAO NDCal shall defer any prosecution of WPC pursuant to Paragraph 1.

10. The Fraud Section and USAO NDCal agree that if WPC has not committed a willful and knowingly material breach of this Agreement for fifteen (15) months from the date of the Agreement, this Agreement shall expire and no criminal prosecution of WPC for matters discussed in this Agreement will be instituted by the Fraud Section or the USAO NDCal. Should the Fraud Section or USAO NDCal determine during the term of this Agreement that WPC has committed any federal crime commenced subsequent to the date of this Agreement, WPC shall, in the sole discretion of the Fraud Section or USAO NDCal, thereafter be subject to prosecution for any federal crimes of which the Fraud Section and/or USAO NDCal have knowledge.

11. Except in the event of a breach of this Agreement, all investigations relating to the matters set forth in the Statement of Facts that have been, or could have been, conducted by the Fraud Section and USAO NDCal prior to the date of this Agreement shall not be pursued further as to WPC or its parent company and affiliates. The Fraud Section and the USAO NDCal represent that they are aware of no other investigations relating to submission of false, inaccurate, or altered trade data by WPC or its parent company and affiliates as described in the Statement of Facts or to any criminal activities arising from such false, inaccurate, or altered reporting as of the signing of this Agreement.

12. Should the Fraud Section and USAO NDCal determine that WPC has committed a willful and knowingly material breach of any provision of this Agreement, the Fraud Section and USAO NDCal shall provide written notice to WPC of the alleged breach, and provide WPC with a two-week period in which to request to make a presentation to the Assistant Attorney

General in charge of the Criminal Division to demonstrate that no breach has occurred, or, to the extent applicable, that the breach is not willful or knowingly material or has been cured. The parties hereto expressly understand and agree that should WPC fail to request an audience with the Assistant Attorney General in charge of the Criminal Division within a two-week period of the potential breach, it shall be conclusively presumed that WPC is in willful and material breach of this Agreement. The parties further understand and agree that the Assistant Attorney General's exercise of discretion under this paragraph is not subject to review in any court or tribunal outside of the Criminal Division of the Department of Justice. In the event of a breach of this Agreement that results in a prosecution of WPC, such prosecution may be premised upon any information provided by or on behalf of WPC to Fraud Section and/or USAO NDCal or other government agency at any time, unless otherwise agreed when the information was provided. The Fraud Section and the USAO NDCal agree, however, to recommend to the Court that the amount paid pursuant to this Agreement should be offset against whatever fine the Court shall impose as part of its judgment in the event of a subsequent prosecution.

13. WPC shall expressly waive all rights to a speedy trial pursuant to the Sixth Amendment of the United States Constitution, Title 18, United States Code, Section 3161, Federal Rule of Criminal Procedure 48(b), and any applicable Local Rules of the United States District Court for the Northern District of California for the period that this Agreement is in effect.

14. In case of the willful and knowingly material breach of this Agreement, any prosecution of WPC relating to the false reporting of trade data to industry publications or any crime arising therefrom that is not time-barred by the applicable statute of limitations as of the date of this Agreement may be commenced against WPC notwithstanding the expiration of any

applicable statute of limitations during the deferred prosecution period and up to the determination of any such willful and knowingly material breach. WPC's waiver of the statute of limitations is knowing and voluntary and in express reliance on the advice of counsel.

15. WPC agrees that, if it sells or merges all or substantially all of its business operations as they exist as of the date of this Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Agreement, it shall include in any contract for sale or merger a provision binding the purchaser/successor to the obligations described in this Agreement.

16. It is understood that this Agreement is binding on WPC, the Fraud Section and USAO NDCal, but specifically does not bind any other federal agencies, or any state or local law enforcement or licensing authorities, although the Fraud Section and USAO NDCal will bring the cooperation of WPC and its compliance with its other obligations under this Agreement to the attention of other federal agencies, state and local law enforcement, or licensing authorities, if requested by WPC or its attorneys. It is understood that this Agreement also excludes any natural persons. It is the intent of the parties to this Agreement that the Agreement does not confer or provide any benefits, privileges or rights to any individuals or other entities other than the parties hereto, and that nothing in the Agreement shall be admissible in any proceeding other than a proceeding brought by the Fraud Section or the USAO NDCal. Moreover, WPC may raise defenses and/or assert affirmative claims in any civil proceedings brought by private parties as long as doing so does not otherwise violate any term of this Agreement.

17. WPC, the Fraud Section and USAO NDCal agree that this Agreement may be publicly disclosed.

18. This Agreement sets forth all the terms of the agreement between WPC, the Fraud Section and USAO NDCal. No modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Fraud Section, the USAO NDCal, WPC's attorneys, and a duly authorized representative of WPC.

On Behalf of the United States Department of Justice Fraud Section:

DATE

PAUL E. PELLETIER
Acting Chief, Fraud Section
Criminal Division
United States Department of Justice

ROBERTSON T. PARK
Assistant Chief, Fraud Section
Criminal Division
United States Department of Justice

AMANDA L. RIEDEL
Trial Attorney, Fraud Section
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United States Attorney
Northern District of California

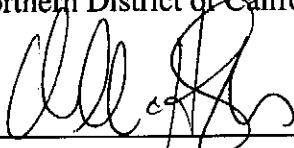
DATE

KESLIE STEWART
Assistant United States Attorney
Northern District of California

On Behalf of WPC:

2-21-06

DATE



Williams Power Company, Inc.