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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

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FILED
U.S. DISTRICT COURT
W.D.N.Y. BUFFALO

STATE OF NEW YORK

v.

EL PASO ENERGY CORPORATION,
A DELAWARE CORPORATION, AND
THE COASTAL CORPORATION,
A DELAWARE CORPORATION:

Civil Action No. 01-CV-0059S(SC)

**CONSENT DECREE AND
FINAL JUDGMENT AND
ORDER**

Plaintiff, the State of New York, having filed its Complaint on January 29, 2001 and having served said Complaint upon Defendants El Paso Energy Corporation and The Coastal Corporation, Defendants having waived service of Summons, and Defendants, by and through their attorneys, having consented to the entry of the Consent Decree without trial or adjudication of any issue of fact or law herein, and having agreed that said Consent Decree shall not constitute evidence against or an admission by the Defendants on any issue of fact or law, and having agreed to be bound by said Consent Decree and to comply with the terms and conditions contained herein, including the prompt divestiture of certain assets so as to ensure that the assets will be maintained as competitive, viable and ongoing concerns, and the Defendants having represented to the Plaintiff that the divestitures below can and will be made as provided herein,

NOW THEREFORE, before the taking of any testimony and without trial or adjudication of any issue of fact or law herein, it is hereby ORDERED, ADJUDGED and DECREED as follows:

I. JURISDICTION

A. This Court has jurisdiction over the subject matter of this action and over each of the parties hereto. The Complaint states a claim upon which relief can be granted against Defendants under

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Section 7 of the Clayton Act, 15 U.S.C. § 26 and/or Sections 340 and 342 of the Donnelly Act, N.Y. Gen. Bus. Law §§ 340 & 342.

B. The New York State Attorney General has authority to bring this action pursuant to Section 16 of the Clayton Act, 15 U.S.C. § 26, Section 342 of the Donnelly Act, N.Y. Gen. Bus. Law § 342, and N.Y. Exec. Law § 63(1).

II. THE PARTIES TO THE DECREE

A. Defendant El Paso Corporation, formerly known as El Paso Energy Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its office and principal place of business located at 1001 Louisiana Street, Houston, Texas 77002.

B. Defendant The Coastal Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its office and principal place of business located at Nine Greenway Plaza, Houston, Texas 77046.

C. Plaintiff is the State of New York, by and through its Attorney General. The Attorney General is the chief law enforcement officer of the State of New York and has the authority to bring this action on behalf of the State.

III. DEFINITIONS

A. "El Paso" means El Paso Corporation, its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by El Paso, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each. El Paso was formerly known as El Paso Energy Corporation.

B. "Coastal" means The Coastal Corporation, its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by Coastal, and the respective directors, officers, employees, agents, representatives, successors, and assigns

of each.

C. "Acquisition" means the transaction described in the Agreement and Plan of Merger by and between El Paso, El Paso Merger Company, and Coastal, dated January 17, 2000, pursuant to which El Paso agreed to acquire certain voting securities of Coastal.

D. "Agreement Containing Consent Orders" means the Agreement Containing Consent Orders, dated December 15, 2000, among the Federal Trade Commission, El Paso, Coastal and Dominion Resources.

E. "Consent Decree" means this Consent Decree and Final Judgment and Order.

F. "Decision and Order" means the Decision and Order issued by the Federal Trade Commission, accepted by El Paso, Coastal and Dominion Resources pursuant to the Agreement Containing Consent Orders, and made final by the FTC on March 23, 2001.

G. "Defendants" means El Paso and Coastal, individually and collectively.

H. "Dominion Resources" shall mean Dominion Resources, Inc., its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by Dominion Resources, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

I. "Empire Acquirer" means the Person that acquires the Empire Assets.

J. "Empire Assets" means all of Coastal's rights, title and interest in the Empire State Pipeline and Empire State Pipeline Company.

K. "Empire Purchase Agreement" means the Stock Purchase and Sale Agreement between American Natural Resources Company and Westcoast Energy Enterprises (U.S.) Inc., dated November 6, 2000, including all related amendments, agreements, schedules, exhibits, and appendices.

L. "Empire State Pipeline" means the natural gas pipeline known as Empire State Pipeline that originates near Niagara, New York, and extends approximately 157 miles to its interconnection with

the facilities of Niagara Mohawk Power Corporation, 15 miles northwest of Syracuse, New York.

M. "Empire State Pipeline Company" means the Empire State Pipeline Company, Inc., a corporation organized, existing and doing business under and by virtue of the laws of New York, with its office and principal place of business located at 500 Renaissance Center, Detroit, Michigan 48243.

N. "FTC" means the Federal Trade Commission.

O. "Iroquois Assets" means all of Coastal's rights, title and interest in the Iroquois Gas Transmission System.

P. "Iroquois Gas Transmission System" means Iroquois Gas Transmission System, L.P., a limited partnership organized, existing and doing business under and by virtue of the laws of Delaware, with its office and principal place of business located at One Corporate Drive, Suite 600, Shelton, Connecticut 06484.

Q. "Iroquois Pipeline" means the natural gas pipeline that originates near the U.S./Canadian border at Waddington, New York, and extends approximately 375 miles to Long Island, New York.

R. "Long Term Firm Transportation" means the provision of natural gas pipeline transportation for a period greater than one year that is not subject to a prior claim by another pipeline customer or another class of transportation service and cannot be interrupted except in a situation of force majeure.

S. "Order Entry Date" means the date that the Court enters this Consent Decree.

T. "Order to Maintain Assets" means the Order to Maintain Assets issued by the Federal Trade Commission and accepted by El Paso, Coastal and Dominion Resources pursuant to the Agreement Containing Consent Orders.

U. "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity.

V. "Pipeline Assets" means the assets to be divested pursuant to Paragraphs IV and V of this Consent Decree.

W. "Westcoast Energy" means Westcoast Energy, Inc., a corporation organized, existing and doing business under and by virtue of the laws of Canada, with its office and principal place of business located at 1333 West Georgia Street, Vancouver, British Columbia, Canada V8E 3K0.

IV. DIVESTITURE OF THE EMPIRE ASSETS

A. Defendants shall divest, absolutely and in good faith, the Empire Assets to Westcoast Energy in accordance with the Empire Purchase Agreement, which shall not be construed to vary from or contradict the terms of this Consent Decree and which Agreement shall be incorporated by reference into this Consent Decree and made a part hereof. Any failure by Defendants to comply with any term of the Empire Purchase Agreement shall constitute a failure to comply with this Consent Decree.

B. Defendants shall divest the Empire Assets to Westcoast Energy no later than ten days after the Order Entry Date.

C. If, after the Order Entry Date, Defendants determine that Westcoast Energy cannot fulfill its obligations under the Empire Purchase Agreement, Defendants shall immediately notify the Attorney General. Defendants shall then immediately terminate the Empire Purchase Agreement and divest the Empire Assets, at no minimum price, to another Person that receives the prior approval of the Attorney General and the FTC, and in a manner and within such time period as receives the prior approval of the Attorney General and the FTC.

D. In connection with the divestitures of the Empire Assets, Defendants shall provide services at the request of the Empire Acquirer sufficient to operate the Empire Pipeline pursuant to the following terms and conditions:

1. Defendants shall operate the Empire Pipeline and provide related services on behalf of the Empire Acquirer in a manner consistent with Defendants' past

practices for a period up to nine months from the date Defendants divest the Empire Pipeline;

2. Defendants shall use their best efforts to transfer the operation of the Empire Pipeline from Defendants to the Empire Acquirer no later than nine months from the date Defendants divest the Empire Pipeline;
3. From the date they divest the Empire Pipeline, Defendants shall have no role in negotiating or setting rates, terms or conditions of service, making expansion or interconnection decisions, or marketing any services relating to the transportation of natural gas (or related products) through the Empire Pipeline; provided, however, that Defendants, in providing transitional services may assist in submitting any necessary regulatory filings and facilitating expansions or interconnections;
4. Defendants shall (i) use all information obtained in the course of operating the Empire Pipeline solely to fulfill Defendants' obligations under this Paragraph IV.C., and (ii) make available such information only to those persons employed by Defendants having a need to know and who agree in writing to maintain the confidentiality of such information; and
5. Defendants shall provide the services required by this Paragraph IV.C. to any applicable Empire Acquirer for a fee agreed to by Defendants and acquirer and included in the applicable Empire Purchase Agreement.

E. In connection with the divestiture of the Empire Pipeline, from the Order Entry Date until Defendants have divested the Empire Pipeline, Defendants shall not enter into any agreement to acquire any rights to Long Term Firm Transportation on the Empire Pipeline.

F. The purpose of the divestiture of the Empire Assets is to ensure the continued use of the

assets in the same business in which such assets were engaged at the time of the announcement of the proposed acquisition by Defendants and to remedy the lessening of competition alleged in the State's Complaint.

V. DIVESTITURE OF THE IROQUOIS ASSETS

A. Defendants shall divest at no minimum price, absolutely and in good faith, the Iroquois Assets only to an acquirer or acquirers that receive the prior approval of the Attorney General and only in a manner that receives the prior approval of the Attorney General, no later than ninety days from the date the State filed its Complaint; provided, however, that Defendants shall not divest more than an 8.72% partnership interest in Iroquois Gas Transmission System to Dominion Resources;

B. Between the Order Entry Date and the date the Iroquois Assets are divested, Defendants shall not serve on any committee of Iroquois Gas Transmission System, attend any meeting of any such committee, exercise any vote as a partner in Iroquois Gas Transmission System or receive any information from Iroquois Gas Transmission System not made available to all shippers or to the public at large; provided, however, that Defendants shall vote (i) in favor of any expansion of the Iroquois Pipeline, (ii) in favor of the divestiture of the Iroquois Assets, and (iii) to create unanimity when unanimous action by all partners of a bloc within Iroquois Gas Transmission System is required and Defendants' vote is necessary to create unanimity; provided, further, that a representative of Defendants may observe meetings of any management committee and may receive and use nonpublic information of Iroquois Gas Transmission System solely for the purpose of effectuating the divestiture of the Iroquois Assets pursuant to this Consent Decree. Said representative shall be identified to the Attorney General, shall not divulge any nonpublic Iroquois Gas Transmission System information to Defendants (other than employees of Defendants whose sole responsibility is to effectuate the divestiture, and agents of Defendants specifically retained for the purpose of effectuating the divestiture), and shall acknowledge these obligations in writing to the Attorney General.

C. The purpose of the divestiture of the assets described in Paragraph V of this Consent Decree is to ensure the continued use of the assets in the same businesses in which such assets were engaged at the time of the announcement of the proposed Acquisition by Defendants and to remedy the lessening of competition alleged in the State's Complaint.

VI. MAINTENANCE OF ASSETS AND EMPLOYMENT RELATIONSHIPS

A. Between the Order Entry Date and the date the Pipeline Assets are completely divested pursuant to Paragraphs IV and V of this Consent Decree, Defendants shall:

1. Maintain the Pipeline Assets in substantially the same condition (except for normal wear and tear) existing on the date Defendants signed the Agreement Containing Consent Orders and shall continue to take such action that is consistent with the past practices of Defendants and is taken in the ordinary course of the normal day-to-day operations of Defendants.
2. Use their best efforts to keep available the services of the current officers, employees, and agents relating to the Pipeline Assets; and maintain the relations and goodwill with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with the Pipeline Assets.
3. Preserve the Pipeline Assets intact as ongoing businesses and not take any affirmative action, or fail to take any action within their control, as a result of which the viability, competitiveness, and marketability of the Pipeline Assets would be diminished.

B. In connection with the divestitures required by Paragraphs IV and V of this Consent Decree, Defendants shall provide each acquirer of the Pipeline Assets an opportunity to transfer employment relationships from Defendants to the acquirer, pursuant to the following terms and conditions:

1. Defendants shall provide each acquirer an opportunity to enter into an employment contract with each individual identified in the purchase agreement between Defendants and the acquirer (hereinafter "Key Employee");
2. Defendants shall allow the acquirer to inspect the personnel files and other documentation relating to each Key Employee, to the extent permissible under applicable laws, no later than ten days before the date the applicable assets are divested;
3. Defendants shall take steps to cause each Key Employee to accept an offer of employment from the acquirer (such as payment of all current and accrued benefits and pensions, to which the employees are entitled). To incentivize each Key Employee to accept such an offer, Defendants shall pay a bonus to each Key Employee who accepts an offer of employment on or prior to the date of divestiture of the applicable assets and remains employed by the applicable acquirer for a period of twelve months, equal to 25% of the Key Employee's current annual salary and commissions (including any annual bonuses) as of November 1, 2000;
4. Defendants shall not interfere with the employment by the acquirer of any Key Employee; not offer any incentive to any Key Employee to decline employment with the acquirer; and shall remove any contractual impediments with Defendants that may deter any Key Employee from accepting employment with the acquirer, including, but not limited to, any non-compete or confidentiality provisions of employment or other contracts with Defendants that would affect the ability of the Key Employee to be employed by the acquirer; and
5. For a period of one year from the Order Entry Date, Defendants shall not,

without the consent of the acquirer, directly or indirectly, hire or enter into any arrangement for the services of any Key Employee employed by the acquirer, unless the Key Employee's employment has been terminated by the acquirer without the Key Employee's consent.

VII. FUTURE ACQUISITIONS

A. For a period of ten years from the Order Entry Date, Defendants shall not, without providing advance written notification to the Attorney General, acquire, directly or indirectly, through subsidiaries or otherwise, any leasehold, ownership interest, or any other interest, in whole or in part, in any of the Pipeline Assets.

1. The notice required by the above paragraph shall be provided to the Attorney General on the same date and in the same manner as such notice is provided to the FTC pursuant to Paragraph VIII.A. of the Decision and Order.

B. For a period of ten years from the Order Entry Date, Defendants shall not, without providing advance written notification to the Attorney General, enter into any agreement that would result in Defendants holding any rights to Long Term Firm Transportation greater than 100,000 dekatherms per day on the Empire Pipeline, except that any amount acquired to serve the peak day needs of any planned or existing power plant of Defendant El Paso, or any other Long Term Firm Transportation where Defendant El Paso is the end user of the natural gas shall not be included in calculating the 100,000 dekatherms per day limitation.

1. The prior notification required by the preceding paragraph shall be provided in writing to the Attorney General on the same date and in the same manner as such notice is provided to the FTC pursuant to Paragraph VIII.B. of the Decision and Order.

VIII. APPOINTMENT OF TRUSTEE

A. If Defendant have not divested, absolutely and in good faith any of the Pipeline Assets within the time and manner required by Paragraphs IV and V of this Order, the Plaintiff, in consultation with the FTC, may request that the Court appoint one or more persons as trustee to divest such assets.

B. In the event that the Attorney General brings an action to enforce this Consent Decree, Defendants shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph VIII shall preclude the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, for any failure by the Defendants to comply with this Consent Decree.

C. If a trustee is appointed by the Court pursuant to this Paragraph VIII, Defendants shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Attorney General shall select, in consultation with the FTC, a person or persons as trustee, subject to the consent of the Defendants, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures. If Defendants have not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten business days after receipt of written notice from the Attorney General to Defendants of the identity of any proposed trustee, Defendants shall be deemed to have consented to the selection of the proposed trustee.
2. Subject to the prior approval of the Attorney General, the trustee shall have the exclusive power and authority to effect the divestiture for which he or she has been appointed.
3. Within ten business days after appointment of the trustee, Defendants shall

execute a trust agreement that, subject to the prior approval of the Attorney General, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture for which he or she has been appointed.

4. The trustee shall have twelve months from the date the Attorney General approves the trust agreement described in Paragraph VIII.C to accomplish the divestiture, which shall be subject to the prior approval of the Attorney General. If, however, at the end of the twelve-month period the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Attorney General; provided, however, the Attorney General may extend this period only two times.
5. The trustee shall have full and complete access to the personnel, books, records and facilities related to the assets to be divested, or to any other relevant information, as the trustee may request. Defendants shall develop such financial or other information as such trustee may reasonably request and shall cooperate with the trustee. Defendants shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by Defendants shall extend the time for divestiture under this Paragraph in an amount equal to the delay, as determined by the Attorney General.
6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Attorney General, but shall divest expeditiously at no minimum price. The divestiture shall be made only to an acquirer that receives the prior approval of the Attorney General, and the divestiture shall be accomplished only in a manner that receives the prior approval of the Attorney General; provided, however, if the trustee

receives bona fide offers from more than one acquiring entity, and if the Attorney General determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity or entities selected by Defendants from among those approved by the Attorney General; provided, further, that Defendants shall select such entity within five business days of receiving written notification of the Attorney General's approval. *

7. The trustee shall serve, without bond or other security, at the cost and expense of Defendants, on such reasonable and customary terms and conditions as the Attorney General may set. The trustee shall have the authority to employ, at the cost and expense of Defendants such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Attorney General of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the Defendants, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the assets.
8. Defendants shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties (including the duties of the trustee's employees), including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses,

damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in Paragraph VIII.A. of this Consent Decree.
10. The Attorney General may, on its own initiative or at the request of the trustee, issue such additional orders or directions as may be necessary or appropriate to accomplish the divestitures required by this Consent Decree.
11. The trustee shall have no obligation or authority to operate or maintain the assets to be divested.
12. The trustee shall report in writing to the Attorney General every sixty days concerning the trustee's efforts to accomplish the divestiture.

IX. COMPLIANCE REPORTS

A. Within sixty days from the Order Entry Date and annually thereafter, Defendants shall provide Plaintiff with a verified report detailing the manner in which they have complied and are complying with the provisions of this Consent Decree. Said annual report shall be due at the same time similar verified reports are filed with the FTC, pursuant to Paragraph XIII of the Decision and Order, or if such reports are not filed with the FTC, then on the anniversary of the Order Entry Date.

B. If on the Order Entry Date Defendants are required to file one or more written reports pursuant to the Order to Maintain Assets, Defendants shall file the first report required by Paragraph IX.A. no later than sixty days from the date Defendants file their final report pursuant to the Order to Maintain Assets.

X. NOTIFICATION OF CORPORATE CHANGE

- A. Defendants shall notify the Attorney General at least thirty days prior to any proposed

change in the corporate Defendants such as dissolution, assignment, or sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation that may affect compliance obligations arising out of this Consent Decree.

XI. COMPLIANCE INSPECTION

For the purposes of determining or securing compliance with this Consent Decree, and subject to any legally recognized privilege, and upon written request with reasonable notice to Defendants, Defendants shall permit any duly authorized representatives of the Attorney General:

A. Access, during office hours of Defendants and in the presence of counsel, to all facilities, and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and all other records and documents in the possession or under the control of Defendants relating to compliance with this Consent Decree; and

B. Upon five days' notice to Defendants and without restraint or interference from Defendants, to interview officers, directors, or employees of Defendants, who may have counsel present, regarding such matters.

XII. NOTICES

A. Any notices required by this Consent Decree shall be delivered to the parties at the following addresses:

1. For Plaintiff:

Office of the Attorney General of the State of New York
Antitrust Bureau
120 Broadway
New York, New York 10271-0332
Attn: Bureau Chief

2. For Defendants:

General Counsel
El Paso Corporation

1001 Louisiana Street
Houston, TX 77002

XIII. TERMINATION

This Consent Decree will expire and terminate twenty years from the Order Entry Date.


DATED this 6th day of April 2001.



HUGH B. SCOTT

**UNITED STATES MAGISTRATE JUDGE
WESTERN DISTRICT OF NEW YORK**

STATE OF NEW YORK

By: 

ELIOT SPITZER
Attorney General of the State of New York

By: 

HARRY FIRST
Chief, Antitrust Bureau

Of Counsel:
KATHLEEN L. HARRIS, Deputy Bureau Chief
AIMEE M. POLLAK, Assistant Attorney General

EL PASO CORPORATION

By: _____
WILLIAM A. WISE
Chief Executive Officer

By: _____
LINDA R. BLUMKIN
Fried, Frank, Harris, Shriver & Jacobson
Counsel for El Paso Corporation

1001 Louisiana Street
Houston, TX 77002

XIII. TERMINATION

This Consent Decree will expire and terminate twenty years from the Order Entry Date.

DATED this 6th day of April 2001.



HUGH B. SCOTT

**UNITED STATES MAGISTRATE JUDGE
WESTERN DISTRICT OF NEW YORK**

STATE OF NEW YORK

By:

ELIOT SPITZER
Attorney General of the State of New York

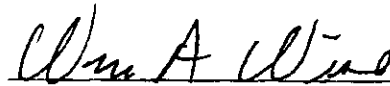
By:

HARRY FIRST
Chief, Antitrust Bureau

Of Counsel:
KATHLEEN L. HARRIS, Deputy Bureau Chief
AIMEE M. POLLAK, Assistant Attorney General

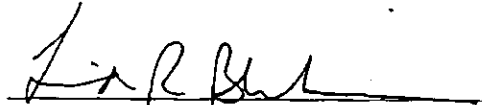
EL PASO CORPORATION

By:



WILLIAM A. WISE
Chief Executive Officer

By:



LINDA R. BLUMKIN
Fried, Frank, Harris, Shriver & Jacobson
Counsel for El Paso Corporation