

**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**

<p><b>In the Matter of:</b></p>  <p><b>DOMINION RESOURCES, INC.,</b></p>  <p style="text-align: center;"><b>Respondent.</b></p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p><b>CFTC Docket No. <u>06 - 06</u></b></p> <p><b>ORDER INSTITUTING          PROCEEDINGS PURSUANT TO          SECTIONS 6(c) AND 6(d) OF THE          COMMODITY EXCHANGE ACT,          MAKING FINDINGS AND          IMPOSING REMEDIAL          SANCTIONS</b></p>
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**I.**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that Dominion Resources, Inc. (“Dominion” or “Respondent”) has violated Section 9(a)(2) of the Commodity Exchange Act, as amended (the “Act”), 7 U.S.C. § 13(a)(2) (2002). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein, and to determine whether an order should be issued imposing remedial sanctions.

**II.**

In anticipation of the institution of an administrative proceeding and prior to any adjudication of any issues of fact or law by the Commission, the Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Without admitting or denying the findings of fact and conclusions of law herein, the Respondent consents to the entry and acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings and Imposing Remedial Sanctions (“Order”). Respondent consents to the use by the Commission of the findings herein in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party.<sup>1</sup>

<sup>1</sup> Respondent does not consent to the use of its Offer or the findings in this Order as the sole basis for any other proceeding brought by the Commission, other than a proceeding in bankruptcy or to enforce the terms of this Order. Respondent does not consent to the use of the Offer or the findings and conclusions in this Order by any other person or entity in this or any other proceeding. The findings and conclusions made in this Order are not binding on any other person or entity, including, but not limited to, any person or entity named as a defendant or respondent in any other proceeding.

### III.

#### A. SUMMARY

From at least December 2000 through November 2002 (the "relevant period"), Dominion, through several traders on its natural gas trading desks, knowingly reported false, misleading and knowingly inaccurate information, including price and volume information, concerning natural gas cash transactions to certain reporting firms. Price and volume information is used by reporting firms in calculating published indexes of natural gas prices for various pipeline hubs throughout the United States. During the relevant period, Dominion's traders knowingly reported to *Gas Daily*, *Natural Gas Intelligence* and *Inside FERC* wholly fictitious trades, certain actual trades at false prices and/or volumes, and certain trades that were observed in the market as if those trades were actual trades executed by Respondent.

The Commission recognizes the cooperation of Respondent during the Division of Enforcement's investigation of this matter.

#### B. RESPONDENT

Respondent Dominion Resources, Inc. is headquartered in Richmond, Virginia, and is engaged in natural gas marketing throughout the United States. It is a publicly traded corporation listed on the New York Stock Exchange. Dominion is one of the nation's largest producers of energy, including electricity generation capability, natural gas reserves and natural gas transmission pipelines. Dominion also operates the nation's largest underground natural gas storage system and serves retail energy customers in ten states.

#### C. FACTS

##### 1. Gas Market Participants' Use of Information from Reporting Firms

During the relevant period, reporting firms compiled and issued indexes of natural gas prices for natural gas hubs throughout the United States. The reporting firms calculated the indexes based upon trading information, including volume and price information, collected from market participants. Participants in the natural gas markets use these indexes to price and settle commodity transactions. Moreover, natural gas futures traders refer to the prices published by the reporting firms for price discovery and for assessing price risks. For instance, an increase in prices at a natural gas trading hub signals either stronger demand or weakened supply and futures traders take account of both price movements and changes in the supply/demand balance when conducting their futures trading on the New York Mercantile Exchange ("NYMEX").

2. **Respondent's Traders Knowingly Reported False, Misleading or Knowingly Inaccurate Market Information**

From at least December 2000 through November 2002, several gas traders working on Dominion's natural gas trading desks knowingly delivered false, misleading and knowingly inaccurate reports regarding natural gas transactions to *Gas Daily*, *Natural Gas Intelligence* and/or *Inside FERC*. These reports, submitted telephonically and by electronic mail and facsimile, contained wholly fictitious trades, certain actual Respondent trades in which the prices and/or volumes were altered, and/or select trades observed in the market, all of which were represented to be Respondent's actual trades as executed by Respondent.

D. **LEGAL DISCUSSION**

**By Knowingly Reporting False, Misleading or Knowingly Inaccurate Market Information, Respondent Violated Section 9(a)(2) of the Act**

Section 9(a)(2) of the Act makes it unlawful for any person "knowingly to deliver or cause to be delivered for transmission through the mails or interstate commerce by telegraph, telephone, wireless, or other means of communication false or misleading or knowingly inaccurate reports concerning crop or market information or conditions that affect or tend to affect the price of any commodity in interstate commerce[.]"<sup>2</sup> Respondent violated Section 9(a)(2), pursuant to Section 2(a)(1)(B) of the Act, when certain of its employees knowingly delivered false or misleading or knowingly inaccurate price and volume information to the reporting firms.<sup>3</sup> As discussed above, price and volume information affects or tends to affect the market price of natural gas, including futures prices as traded on the New York Mercantile Exchange.

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<sup>2</sup> See *United States v. Valencia*, 394 F.3d 352 (5<sup>th</sup> Cir. 2004) (the knowing delivery of false and misleading as well as knowingly inaccurate market information that affects or tends to affect the price of a commodity is actionable under Section 9(a)(2)); See also *CFTC v. Johnson*, 408 F.Supp.2d 259 (S.D. Tex. 2005) (denying motion to dismiss for failure to state a claim where CFTC complaint charges defendants with knowingly reporting false, misleading or knowingly inaccurate market information concerning natural gas transactions that affects or tends to affect the price of natural gas in violation of Section 9(a)(2)); *CFTC v. Bradley*, 408 F. Supp.2d 1214 (N.D. OK 2005) (holding the same); *United Egg Producers v. Bauer Int'l Corp.*, 311 F. Supp. 1375, 1383 (S.D.N.Y. 1970) (concluding that false press releases regarding egg importation "tended to affect the price of eggs in interstate commerce").

<sup>3</sup> Under Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2002), and Section 1.2 of the Commission's Regulations, 17 C.F.R. § 1.2 (2006), the act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust. Consequently, Dominion is liable for its employees' violations of the Act.

#### IV.

### FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that from December 2000 through November 2002, Respondent violated the false reporting provision of Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2002).

#### V.

### OFFER OF SETTLEMENT

Respondent has submitted an Offer of Settlement in which, without admitting or denying the findings and conclusions herein and in full and final settlement of any alleged violations of the Act and Regulations thereunder solely as they relate to the subject matter of this proceeding and covering the period December 2000 through August 29, 2003, it acknowledges service of the Order; admits jurisdiction of the Commission with respect to the matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based upon violations of or for enforcement of the Order; waives service and filing of a complaint and notice of hearing, a hearing, all post-hearing procedures, judicial review by any court, any objection to the staff's participation in the Commission's consideration of the Offer, any claim of double jeopardy based on the institution of this proceeding or the entry of any order imposing a civil monetary penalty or other relief, and all claims which it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412 (2000), and Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2005), relating to, or arising from, this action; stipulates that the record basis on which this Order is entered consists solely of this Order, including the findings in this Order; and consents to the Commission's issuance of this Order. Pursuant to the Offer of Settlement, Respondent agrees to the entry of the Order, in which the Commission makes findings, including findings that Respondent violated Section 9(a)(2) of the Act, and orders that Respondent cease and desist from violating the provision of the Act it has been found to have violated, pay a civil monetary penalty of Four Million Two Hundred and Fifty Thousand Dollars (\$4,250,000), and comply with the conditions and undertakings as set forth in this Order.

#### VI.

### **Accordingly, IT IS HEREBY ORDERED THAT:**

1. Respondent shall cease and desist from violating the false reporting provision of Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2002).

2. Respondent shall pay a civil monetary penalty of Four Million Two Hundred and Fifty Thousand Dollars (\$4,250,000) within ten business days of the date of the entry of this Order, and make such payment by electronic funds transfer to the

account of the Commission at the United States Treasury or by certified check or bank cashier's check made payable to the Commodity Futures Trading Commission and addressed to Dennese Posey, Division of Enforcement, Commodity Futures Trading Commission, 1155 21<sup>st</sup> Street, N.W., Washington, D.C. 20581, under cover of a letter that identifies the Respondent and the name and docket number of this proceeding. Copies of the cover letter and the form of payment shall be simultaneously transmitted to Gregory George Mocek, Director, Division of Enforcement, Commodity Futures Trading Commission, 1155 21<sup>st</sup> Street, N.W., Washington, D.C. 20581. If payment is not made in accordance with the requirements of this paragraph, Respondent shall be subject to further proceedings pursuant to Sections 6(c) and 6(e)(2) of the Act, 7 U.S.C. § 9 and 9a(e)(2) (2002), for violating a Commission Order.

3. Respondent shall comply with the following conditions and undertakings as specified:

**(a) Future Cooperation With the Commission**

Respondent shall continue to cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement ("Division"), in any investigation, civil litigation, or administrative matter related to the subject matter of this proceeding or any current or future Commission investigation related thereto. Respondent agrees to cooperate fully and expeditiously with the Commission's ongoing efforts to discover documents and information related to reporting trade prices and/or volumes to energy reporting services and price indexes for the period up to and including August 29, 2003. As part of such cooperation, Respondent agrees to:

(1) preserve for a period of five years from the date of this Order all records relating to the subject matter of this proceeding, i.e., reporting of natural gas transactions for the period December 2000 through August 2003, including but not limited to audio files, e-mails, and trading records; and

(2) comply fully, promptly, and truthfully to any inquiries or requests for information by the Commission related to the subject matter of this proceeding, including but not limited to inquiries or requests:

- (i) for authentication of documents;
- (ii) for any documents within Respondent's possession, custody, or control, including inspection and copying of documents;
- (iii) to produce any current (as of the time of the request) officer, director, employee, or agent of Respondent's, regardless of the employee's location and at such location that minimizes Commission travel expenditures, to provide assistance at any trial, proceeding, or Commission investigation related to the subject matter of this proceeding, including but not limited to, requests for

testimony, depositions, and/or interviews, and to encourage them to testify completely and truthfully in any such proceeding, trial, or investigation; and

- (iv) for assistance in locating and contacting any prior (as of the time of the request) officer, director, or employee of Respondent's.

Respondent also agrees that it will not undertake any act that would limit its ability to fully cooperate with the Commission. Respondent designates Charles R. Mills, Esq., of the Kirkpatrick & Lockhart Nicholson Graham LLP law firm, to receive all requests for information pursuant to this undertaking. Should Respondent seek to change the designated person to receive such requests, notice shall be given in writing to the Division of such intention 14 days before it occurs. Any person designated to receive such request shall be located in the United States.

**(b) Public Statements**

By neither admitting nor denying the findings of fact and conclusions of law, Respondent agrees that neither it nor any of Respondent's agents or employees under its authority and control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in the Order, or creating, or tending to create, the impression that the Order is without factual or legal basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations; or (ii) right to take factual or legal positions in other proceedings to which the Commission is not a party. Respondent will undertake all steps necessary to assure that all of the agents and employees under its authority and control understand and comply with this agreement.

By the Commission.



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Eileen A. Donovan  
Acting Secretary of the Commission  
Commodity Futures Trading Commission

Dated: September 27, 2006