108 FERC ¶ 61,110
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Dominion Resources, Inc.;
Dominion Transmission, Inc.;
Dominion Energy Clearinghouse;
Northern Illinois Gas Company; and
Columbia Gas Transmission Corporation

Docket No. IN04-2-000

ORDER APPROVING STIPULATION AND CONSENT AGREEMENTS

(Issued August 2, 2004)

1. The Division of Enforcement, Office of Market Oversight and Investigations (Enforcement) executed three Stipulation and Consent Agreements (Agreements), one each with the following entities: (1) Dominion Resources, Inc. (Dominion Resources) Dominion Transmission, Inc. (DTI) and Dominion Energy Clearinghouse (DEC); (2) Northern Illinois Gas Company (Nicor); and (3) Columbia Gas Transmission Corporation (Columbia). The Agreements were executed following a formal, non-public investigation involving the named entities.[1] The Agreements resolve issues relating to unauthorized communication of non-public natural gas storage inventory information by companies subject to the Commission's jurisdiction. The Agreements are in the public interest because they settle issues and provide appropriate relief. We therefore approve them.

2. The Agreements disclose that employees of interstate natural gas pipeline companies DTI and Columbia, and Nicor, a local distribution company (LDC) that has a blanket certificate pursuant to subpart C of Part 284 of the Commission's regulations, communicated their respective companies' actual storage injection or withdrawal volumes over extended periods of time. DTI communicated this information to an affiliated risk group employee, who in turn communicated it to a Dominion Resources gas trader, who in turn communicated it to industry participants outside of Dominion. Nicor and Columbia communicated this information to certain customers. None of the storage inventory information was public at the time it was communicated.

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[1] *See* 18 C.F.R. Part 1b (2004).

3. Transportation of natural gas in interstate commerce includes storage.[2] By communicating non-public storage inventory information from DTI, the interstate pipeline, to DEC, its marketing affiliate, DTI and Dominion Resources, according to the Agreement the entities executed, violated Standard F of the Commission's standards of conduct requirements. Standard F states that, to the extent a natural gas pipeline provides to a marketing affiliate information related to transportation of natural gas, it must provide that information contemporaneously to all potential shippers, affiliated and non-affiliated, on its system.[3] Nicor's communication of storage information to a certain customer constituted an undue preference that, according to the Agreement Nicor executed, violated the Commission's regulations.[4] The Agreement with Columbia also settles its communication of storage information to certain customers.

4. The investigation in this docket has revealed that a number of market participants have sought to obtain and exploit non-public storage inventory information to gain a competitive advantage in wholesale gas markets. Most or all of the natural gas traders and other natural gas industry participants that received the non-public storage inventory information from Dominion Resources, Nicor and Columbia apparently valued it because they believed it provided insight with respect to one or more of the following: (a) NYMEX natural gas contract futures prices immediately following the Thursday 10:30 a.m. Eastern Time release by the United States Department of Energy's Energy Information Administration (EIA) of its Weekly Natural Gas Storage Report; (b) off-exchange traded natural gas-based instruments; (c) fluctuating price differentials between major receipt and delivery points; (d) general market conditions; (e) the value of storage as a price hedging mechanism; or (f) pipeline operations affecting transportation or storage of gas.

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[2] 18 C.F.R. § 284.1(a) (2004).

[3] 18 C.F.R. § 161.3(f) (2003). In November 2003, the Commission issued Order No. 2004, which supersedes the provisions of Part 161 of the Commission's regulations that the Dominion entities violated. Standards of Conduct for Transmission Providers, Order No. 2004, FERC Stats. & Regs., Regulations Preambles ¶ 31,155 (2003), *order on reh'g*, Order No. 2004-A, 107 FERC ¶ 61,032 (2004), *reh'g pending*. In Order No. 2004, the Commission adopted standards of conduct that apply uniformly to interstate natural gas pipelines and public utilities. The Commission codified these standards of conduct in Part 385 of the Commission's regulations and revised Part 161 of its regulations. The Commission included section 358.5(b), 18 C.F.R. § 385.5(b) (2004), which is comparable to the former Standard F. The provisions of Part 161 apply to the conduct of the Dominion entities because that conduct predates the issuance of Order No. 2004.

[4] 18 C.F.R. §§ 284.9(b) and 289.7(b)(1) (2004).

5. The Commission has a continuing duty to maintain the integrity of jurisdictional natural gas sales markets.[5] The Commission will vigilantly exercise oversight of pipelines' standards of conduct compliance and activities that provide transportation-related advantages to some but not all pipeline customers.

The Agreements

Dominion Resources, DTI and DEC (The Dominion entities)

6. The Agreement with the Dominion entities provides for refunds to DTI's storage customers in the amount of $4,500,000 in proportion to each customer's share of the total firm storage reservation revenues received by DTI applicable to services rendered in 2002. As explained in the Agreement, the maximum trading benefit that Dominion Resources could reasonably have derived from the wrongful communication of storage inventory information from DTI to the Dominion gas trader was approximately $4,900,000. While it may be unlikely that more than 90 percent of all relevant trading profits earned by Dominion Resources during the affected period could be attributed to the wrongful communication of transportation-related information to DTI's marketing affiliate that occurred, the Agreement reflects the Commission's determination that Dominion Resources not profit from its standard of conduct violation.

7. The Dominion entities further agree to pay a civil penalty in the amount of $500,000. The civil penalty is warranted by the severity of the Dominion entities' conduct. As explained in the Agreement, the risk group employee received DTI's storage inventory information by e-mail. The risk group employee previously worked for DTI but his name was not removed from the distribution list after he left DTI. DTI should have purged the risk group employee's name from the distribution list promptly after his employment with DTI ended. The risk group employee should not have communicated the storage inventory information that he received from DTI to the Dominion gas trader. The Dominion gas trader should not have communicated this information to other industry participants. In approving the size of the civil penalty, the Commission has also considered that the Dominion entities voluntarily brought the violation to the attention of Enforcement.

[5] *E.g.*, *In the Matter of Amendments to Blanket Sales Certificates,* 107 FERC ¶ 61,174 at P 11 (2004) (The Commission's "responsibility to ensure the integrity of the jurisdictional gas sales market required it to revise its regulations to place additional conditions on its grant of market based sales certificates[,]" *citing*, Order No. 644, Amendments to Blanket Sales Certificates, FERC Stats. & Regs., Regulations Preambles ¶ 31,153 (November 17, 2003).

8. The Dominion entities also agree to extensive employee training intended to deter future similar violations. The substantive material incorporated in the Agreement indicates the subject matter of instruction that the Dominion entities will provide its employees. This information includes instruction on the Commission's standards of conduct, why the conduct recited in the Agreement was wrongful, and detailed elements of Order No. 2004.

9. Since July 29, 2003, Dominion has posted its weekly net injection and withdrawal activity on Mondays, the same day of the week that it reports its storage inventory information to EIA. Because sunshine is the best disinfectant, this measure should go far in deterring future similar violations.

Nicor

10. The Agreement with Nicor provides for Nicor to pay a civil penalty of $600,000. This penalty is warranted because selective disclosure of Nicor's storage inventory information could have provided an operational advantage to the favored customer. If Nicor intended to share its storage inventory information, it should have shared it with all its customers. Nicor states in the Agreement that the penalty will not affect retail rates or service.

11. The Agreement does not require Nicor to post its storage inventory information. As an local distribution company, Nicor has gas purchase obligations to meet retail demand that differ from interstate pipelines that provide service pursuant to subparts B and G of part 284 of the Commission's regulations. These obligations could potentially be affected by posting of actual daily injection and withdrawal volumes. Because the Commission has not explored whether, and if so, the extent to which, Nicor's gas purchase obligations may be affected by posting its storage inventory information, we are approving the Agreement without a posting provision.

12. Lastly, Nicor agrees to conduct extensive annual, onsite training to provide guidance to its employees regarding compliance with the Commission's requirements. Nicor further agrees to modify its corporate policies to specifically prohibit the disclosure of its storage inventory information to parties outside Nicor.

Columbia

13. The Agreement with Columbia provides for Columbia to pay a civil penalty of $2,500,000. The Agreement recites that Columbia did not profit from the disclosures of its non-public storage inventory information. It appears from the Agreement that Columbia should have better supervised the dissemination of its daily injection and withdrawal information, given the apparent operational and market-related value of this

information. The prolonged and persistent nature of the communications weakened the desired practices that commodity trading be based on public information and that all pipeline customers be apprised of transportation-related information equally.

14. The Agreement contains two measures meant to deter future similar activity. Columbia agrees to post each Monday its net aggregate injection and withdrawal volumes for the previous week. In addition, Columbia agrees to automatically record for one year all telephone conversations between its customer service representatives and customers, and will retain these recordings for an additional year. As the Agreement recites, it was a Columbia customer service representative who communicated Columbia's non-public storage inventory information to selected customers.

Related Matters

15. The Commission directs its staff to terminate the investigation with respect the following three entities that are named in one or more of the Agreements: (1) Alliance for Cooperative Energy Services Power Marketing LLC; (2) Interstate Gas Supply, Inc.; and (3) Sequent Energy Management, LP. These firms provided information to Enforcement that materially advanced the investigation. The Commission has not concluded that these firms violated the Commission's regulations with respect to their conduct referenced in any of the Agreements.

16. The acuteness of interest in non-public storage inventory information evinced by the investigation in this docket, the apparently widespread nature of industry activity that is focused on storage inventories, and the bearing that storage inventories appear to have on commodity markets and pipeline operations counsel in favor of more complete, consistent and comprehensible posting by pipeline companies of their storage inventories than the Commission currently requires. On this date the Commission is issuing notice of a technical conference to explore issues related to achieving greater transparency in storage inventory information. The technical conference will provide an opportunity for interested persons to provide information and opinions regarding the costs and benefits of improved posting of storage inventory information.

Conclusion

17. The Commission finds that the Agreements with the Dominion entities, Nicor and Columbia are fair and reasonable and in the public interest. They resolve issues and provide for remedies that address the conduct described in the respective Agreements.

The Commission orders:

(A) The Commission approves the attached Stipulation and Consent Agreements without modification.

(B) The Commission's approval of the Agreements does not constitute precedent regarding any principle or issue in any proceeding.

By the Commission.

(S E A L)

Linda Mitry

Linda Mitry,
Acting Secretary.

Stipulation and Consent Agreement To Be Submitted To The Federal Energy Regulatory Commission

I.

The Enforcement Division of the Office of Market Oversight and Investigations (Enforcement), Dominion Resources, Inc. (Dominion Resources), Dominion Transmission, Inc. (DTI) and Dominion Energy Clearinghouse (DEC) enter into this Stipulation and Consent Agreement (Agreement). The Agreement resolves all issues that are specifically addressed herein pertaining to liability or potential liability of Dominion Resources, DTI and DEC arising from a non-public investigation (investigation) that Enforcement conducted pursuant to Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2003).

II.

Enforcement, Dominion Resources, DTI and DEC hereby stipulate and agree to the following:

A. Dominion Resources is a large, integrated energy company. Through its subsidiaries and affiliates, Dominion Resources transmits and distributes electricity to approximately 2.1 million customers and natural gas to approximately 1.7 million customers in five states; it manages power plants with approximately 24,000 megawatts of capacity; it trades and markets gas and electric power nationwide; it owns and/or operates 7,900 miles of natural gas pipelines and 14 natural gas storage fields having a total working gas capacity of approximately 400 billion cubic feet and maximum daily deliverability of approximately seven to eight billion cubic feet; and it operates approximately 12 percent of total working gas storage capacity in the United States. Three separate entities within Dominion Resources' corporate structure are involved in events giving rise to the Agreement. First is DTI, based in Clarksburg, West Virginia. DTI is an interstate natural gas pipeline company that performs transportation functions including functions related to all of Dominion Resources' storage facilities that are subject to the Commission's jurisdiction under the Natural Gas Act. Second is Dominion Resources Services, Inc. (DRS), based in Richmond, Virginia. DRS contains the Enterprise Risk Management Group (risk group), an entity that, among other things, analyzes and assesses trading risk. Third is DEC, also based in Richmond. DEC is Dominion Resources' energy trading and marketing operation (marketing affiliate; or, trading and marketing group).

B. Every Thursday at 10:30 a.m. Eastern Time, the United States Department of Energy's Energy Information Administration (EIA) releases its Weekly Natural Gas Storage Report, which tracks natural gas inventories held in underground storage facilities in the United States. The weekly inventory levels are estimates of the aggregate volumes of working gas as of the week ending the Friday immediately preceding the Thursday release of the report. Changes in reported inventory levels reflect events affecting working gas in storage for the surveyed companies, including injections, withdrawals, and reclassifications between base and working gas. According to the

EIA's website, the EIA's overall approach is to collect weekly survey data from a sample of operators of underground storage facilities and to prepare regional and national estimates based on the relationship between the weekly sample and the larger universe of storage operators reporting to the EIA on an existing monthly survey of the same population. The EIA issues its report using regional and national categories. The EIA's Thursday release of its storage inventory report often has an immediate impact on the price of NYMEX futures gas contracts as indicated by the shift in price that is usually observed immediately following the EIA's 10:30 a.m. release of its report on Thursdays. The release of the EIA report also affects other natural gas commodity price, transportation, transactional, market and trading behavior because of the important role the EIA report plays in the assessment of commodity inventories. A number of organizations publish advance estimates of the EIA's weekly report results.

C. Since May 2, 2002, when the EIA assumed responsibility for reporting storage inventory information, DTI has provided weekly storage inventory information to the EIA as of 9:00 a.m. Friday each week, as prescribed by the EIA. (Prior to May 2, 2002, DTI, and its predecessor in interest, CNG Transmission Company, provided weekly storage inventory information on Fridays to the American Gas Association (AGA). The AGA published a report of storage inventory levels each week on Wednesday afternoons.) DTI is one of approximately 45 entities that provide weekly storage inventory information to the EIA. DTI provides its weekly storage inventory information to the EIA as follows: A DTI employee distributes by e-mail the figure representing DTI's storage inventory levels on a weekly basis to a second DTI employee, with copies to other employees and agents of DTI. The DTI figure includes the total inventory levels for all facilities operated by DTI, including several facilities that are jointly owned with third-party companies. The second DTI employee adds storage inventory levels received from Dominion Resources-affiliated local distribution companies to the DTI figure and, on the following Monday, e-mails the sum of those figures to the EIA, with copies to certain other DTI employees. Prior to July 29, 2003, this information was not publicly available. Since that date, DTI has posted on the Monday, when the data is provided to the EIA, the DTI storage inventory data that are included in the figure it sends to the EIA, except that, for the jointly owned storage facilities, the posting includes only the portion of inventory equivalent to DTI's ownership interest in the facilities (i.e., the storage inventory attributable to third-party ownership is not reflected on DTI's website). Thus, DTI posts complete inventory data for the ten storage pools that it owns and operates and posts the inventory for its ownership share of the additional seven pools that it operates but does not wholly own.

D. A certain Risk Group Employee was, prior to May 2000, an employee of DTI and its predecessor company, CNG Transmission Corporation. While a DTI employee, he was on the copy list to receive copies of storage inventory information that DTI sent to the AGA. In May 2000, the Risk Group Employee left the employ of DTI and became employed by the risk group at DRS as a Senior Risk Management Analyst. In his new position, the Risk Group Employee quantified the market risks associated with certain energy transactions. The risk group also provides credit and contract administration and is responsible for helping to assure the compliance of certain Dominion Resources entities and affiliates with Dominion's trading policies and limitations. At the time relevant to this inquiry, the risk management group reported to Dominion Resources' Treasury Department. Due to DTI's lack of sufficient oversight of the e-mail distribution list and the advice of local outside counsel as described in Section II.E. below, the Risk Group Employee remained on the copy list of the e-mail containing the non-public DTI storage inventory data (hereafter the weekly non-public DTI storage inventory number; or DTI number) that DTI sent weekly to the AGA, and effective May 2, 2002, to the EIA. On several occasions, at least one of which occurred in May 2003, the Risk Group Employee was for an unknown reason not copied with the weekly non-public DTI storage inventory number. On these occasions, the Risk Group Employee asked a particular DTI employee for it. The DTI employee, who knew that the Risk Group Employee was no longer employed by DTI, provided the requested information on these occasions. In addition, the Risk Group Employee continued to receive a Storage Fill report, or ratchet report, which contained various categories of storage customer-specific contract capacity and contract demand information, for a period of less than two months after he left the employ of DTI.

E. Shortly after the Risk Group Employee transferred from DTI to the risk management group, a local outside counsel orally approved the risk group Employee's receipt of the weekly non-public DTI storage inventory number from DTI. In addition to this approval, the local outside counsel addressed in writing whether the Risk Group Employee could receive the Storage Fill report. Specifically, in July 15, 2000, a DTI employee asked the local outside counsel for Dominion Resources whether it was permissible for the Risk Group Employee to continue to receive the Storage Fill report. The person making this request noted that "[t]his information would be quite valuable to a marketer." Local outside counsel responded in pertinent part that "this information should not be shared with our gas marketing and power marketing affiliates which are posted on our web page. My understanding is that [the Risk Group Employee] works for the Services Company [DRS], not a marketer, and his having the information would not violate [FERC Order No.] 497 so long as the information was not shared with our marketing affiliates."

F. Certain employees in DRS knew that the Risk Group Employee was receiving the weekly non-public DTI storage inventory number. Specifically, in June 2003, the Risk Group Employee told three employees of DRS' Business Planning and Marketing Development division that he was receiving the DTI number. Nonetheless, the Risk Group Employee's supervisors were unaware that the Risk Group Employee was receiving the DTI number as a risk group employee until July 17, 2003, when they discovered it during a supervisory review of the Risk Group Employee's work. On Monday, July 21, 2003, the Vice President of the risk group directed the Risk Group Employee not to receive the weekly non-public DTI storage inventory number from DTI any longer.

G. Beginning when he was employed by DTI and continuing after May 2000, the Risk Group Employee routinely produced on Monday morning a projection of the weekly regional and national storage inventory numbers that the AGA and, subsequently, the EIA would release later in the same week. The Risk Group Employee used the weekly non-public DTI storage inventory number to construct his projection. This number was one of 24 inputs in the model that the Risk Group Employee used. Starting in May 2000, he improperly communicated his projection to many employees in the trading and marketing group. His communication of his projection to some employees in the trading and marketing group was improper because his projection was based in part on the DTI number. Over the period from May 2000 to July 2003, the Risk Group Employee communicated his projection to a total of 39 Dominion Resources employees, including, in addition to DTI employees in the trading and marketing group, affiliated traders and marketers in Calgary, Alberta; DTI employees; other DRS employees, including risk group employees; Dominion Field Services employees in Pennsylvania and West Virginia; and an affiliated telecommunications employee. The accuracy of the Risk Group Employee's forecast was comparable to commercially available forecasts. Many employees in the trading and marketing group reviewed the Risk Group Employee's projection. None of the recipients of the Risk Group Employee's projection of the EIA report knew how the projection was derived or that the Risk Group Employee used the weekly non-public DTI storage inventory number as an input in his model. The Risk Group Employee worked in the same building as the trading and marketing group employees. The Risk Group Employee had frequent and routine contacts with these employees.

H. On July 17, 2003, the Risk Group Employee's supervisors also discovered that since January 2001, the Risk Group Employee had been providing on a regular basis the weekly non-public DTI storage inventory number to a natural gas trader in the trading and marketing group (Dominion Gas Trader). That same day, the Vice President of the risk group directed the Risk Group Employee to stop providing the weekly non-public DTI storage inventory number to the Dominion Gas Trader. Prior to that directive, the Risk Group Employee provided the DTI number to the Dominion Gas Trader by e-mail nearly every week from January 2001 to July 2003. The Dominion Gas Trader, who had joined DEC in December 2000, during this two-and-a-half year period had a senior position on the Mid-Continent trading desk for DEC. On occasions when the Risk Group Employee did not provide the DTI number to the Dominion Gas Trader, the Dominion Gas Trader specifically requested it from the Risk Group Employee, who then provided it. The Risk Group Employee provided the DTI number to the Dominion Gas Trader because he believed that the Dominion Gas Trader was a manager who demanded the number and that it was his responsibility to comply. The Risk Group Employee did not profit by providing the DTI number to the Dominion Gas Trader. The Risk Group Employee did not provide the DTI number to anyone else at any time. After the Risk Group Employee left the employ of DTI in May 2000, he did not provide the Storage Fill report to any person and he did not use it for any purpose. The Risk Group Employee ceased receiving the Storage Fill report in July 2000. The Dominion Gas Trader told Enforcement that he did not know where the Risk Group Employee obtained the DTI number. The Dominion Gas Trader also obtained the weekly public Natural Gas Pipeline Company of America storage inventory number from a DEC scheduler and the weekly public ANR Storage Company storage inventory number from ANR Storage Company's website.

I. The Dominion Gas Trader believed that knowing the weekly non-public DTI storage inventory number improved his perception of market conditions, improved his understanding of where the price of gas might be heading, improved his ability to transact basis spreads, and improved his ability to better understand the future price and availability of storage. The Dominion Gas Trader executed 243 weekly NYMEX gas futures positions in 2002. The Dominion Gas Trader told Enforcement that the DTI number would provide little advantage in trading on the NYMEX gas futures exchange or on any other exchange or market because (a) the direction of trading activity immediately following disclosure of the EIA's report at 10:30 a.m. on Thursdays is unpredictable; and (b) the market is relatively illiquid at that time, which raises the cost of exiting unprofitable positions. The Dominion Gas Trader did not conduct any transactions on a personal account to exploit his receipt of the DTI number. On July 21, 2003, a superior employee told the Dominion Gas Trader that he could no longer receive the DTI number from the Risk Group Employee. The Dominion Gas Trader regularly disclosed the weekly non-public DTI storage inventory number to other employees in the trading and marketing group. The trading benefit of having the DTI number expires once the storage report is released. No employee in the trading and marketing group executed transactions on the NYMEX futures gas exchange or on any other exchange or market, or executed any bilateral agreements, to exploit his or her receipt of the Risk Group Employee's projection of the EIA report or the DTI number by exiting positions immediately following the weekly release of the EIA report, or immediately following the weekly release of the AGA report prior to May 2, 2002.

J. The Dominion Gas Trader disclosed the weekly non-public DTI storage inventory number to two non-affiliated persons in the natural gas industry. The first of these is the Director of Natural Gas Trading employed by Alliance for Cooperative Energy Services Power Marketing LLC, also known as ACES Power Marketing (APM). APM does not own any natural gas storage or pipeline facilities. Enforcement has determined that: the APM employee to whom the Dominion Gas Trader provided the weekly non-public DTI storage inventory number has responsibility for developing customized natural gas strategies; negotiating with pipelines, suppliers and marketing companies; reviewing and recommending price clauses; assisting with the coordination and implementation of customers' daily energy supply optimization strategies; executing transactions as an agent of APM's customers; providing forward market data from the NYMEX, brokers and electronic trading platforms; producing market outlook reports; and providing training in natural gas fundamentals and hedging strategies. The Dominion Gas Trader began providing the DTI number on a frequent basis to the APM employee in July 2002. The APM employee provided the Dominion Gas Trader the weekly non-public storage inventory information of Columbia Gas Transmission Company (Columbia) in return. The Dominion Gas Trader stopped providing the DTI number to the APM employee in late July 2003.

K. The Dominion Gas Trader also disclosed the weekly non-public DTI storage inventory number to a storage trader who works at Nicor Enerchange, LLC (Nicor Enerchange), a subsidiary of Nicor, Inc. Nicor Enerchange is a natural gas marketer engaged primarily in the wholesale trading business. Nicor Enerchange's trading activities take place primarily in the Wisconsin/Illinois/Indiana area, as well as in the production area. Enforcement has determined that: the Nicor Enerchange trader negotiates transactions with customers of the Chicago Hub, which provides storage and transportation services; he documents such transactions; handles elements of scheduling and billing for contract services; and provides marketing and administrative support to the operations of the Chicago Hub. According to the Nicor Enerchange trader, the Dominion Gas Trader began providing the DTI number to the Nicor Enerchange trader about the time the Dominion Gas Trader joined Dominion (i.e., December 2000). The Nicor Enerchange trader provided the Dominion Gas Trader the weekly non-public Nicor storage inventory number. The Dominion Gas Trader stopped providing the DTI number to the Nicor Enerchange storage trader in late July 2003.

L. Enforcement has also determined that the Dominion Gas Trader knew, or should have known, that the weekly non-public storage inventory numbers he received from the APM and Nicor Enerchange traders were non-public. Other than the APM employee and the Nicor Enerchange trader, the Dominion Gas Trader did not provide the weekly non-public DTI storage number to any other person not employed by Dominion Resources or an affiliate thereof.

M. In response to the events recited in this section of the Agreement, DRS reassigned the Risk Group Employee to a position in which he has access only to public data. DEC suspended the Dominion Gas Trader with pay for two weeks, then reinstated and demoted him. In addition, Dominion Resources voluntarily disclosed these events to Enforcement in July 2003, virtually contemporaneously with the discovery by the company. Dominion Resources fully and completely cooperated with Enforcement's efforts to investigate and resolve this matter.

N. Enforcement has concluded that the weekly non-public DTI storage inventory number was significant in creating a best prediction model given the set of data that the Risk Group Employee used to create his projection of the AGA and EIA storage inventory numbers. While the inclusion of the DTI number changed the average accuracy of the model results little compared to model results achieved when the DTI number is excluded, Enforcement has also concluded that the inclusion of the DTI number resulted in a projection with significantly lower prediction variance than a projection without the DTI number. Moreover, the DTI number was valuable in its raw form to the Dominion Gas Trader as a means to better assess market conditions. The DTI number was also valuable because the Dominion Gas Trader was able to trade it to obtain other non-public storage inventory data.

O. Having the Risk Group Employee's projection of the EIA number and/or the weekly non-public DTI storage inventory number provided information that gave the trading and marketing group employees an opportunity to exploit market movement during the days prior to the Thursday (EIA) or Wednesday (AGA) storage report release. Multiple strategies could be devised to use this information to exploit market movement. This information had a qualitative benefit for trading and marketing group employees that may be impossible to quantify. Nonetheless, Dominion Resources attempted to estimate the potential benefit that the trading and marketing group could have derived had its employees sought to trade on this information. Dominion Resources examined positions in the trading and marketing group portfolio pertaining to those employees who received this information. Dominion Resources isolated positions opened on a Monday, Tuesday, Wednesday, or Thursday, and closed on Thursday for the period from May 2, 2002 through July 21, 2003 (during which period the EIA has released its report on Thursday), and positions opened on a Monday, Tuesday or Wednesday and closed on Wednesday for the period January 1, 2001 through May 1, 2002 (during which period the AGA released its report on Wednesday afternoon). Dominion Resources further isolated trades involving the products most likely to be used to exploit this information. These products would be those with sensitivity to fixed price volatility, those having sufficient liquidity to permit the entry and exit of positions at will, and those that would present a negligible or manageable credit exposure when executed. Three categories of products fit these parameters:

(1) Futures (standardized contracts for the purchase or sale of a commodity that is traded for future delivery under the provisions of exchange regulations);

(2) Options on futures and equivalents (entailing the right, but not the obligation, to buy or sell a specified futures contract at a defined strike price); and

(3) Swaps (custom-tailored, individually negotiated transactions designed to manage risk in which parties typically exchange payments based on changes in the price of a commodity or market index, while fixing the price they effectively pay for the physical commodity).

These products are the most likely products used to exploit the information that the trading and marketing group employees received. Applying the timing limitations described above to trades involving the products mentioned above for the trading and marketing group employees who received the Risk Group Employee's projection and/or the DTI number during the relevant period yields a sum of portfolio positions equal to approximately $4.9 million. Of this sum, the Dominion Gas Trader's trades had a value of $363,479. The $4.9 million value assumes that all incremental activity and all of the realized value associated with this sum occurred and were obtained as a result of the relevant trading and marketing group employees having received the Risk Group Employee's projection of the EIA number and/or the DTI number. It is highly improbable that one hundred percent of the outcomes from all individuals included could be attributed to access to the Risk Group Employee's projection of the EIA report and/or the DTI number.

P. Unrelated to the foregoing matters, DTI failed, until November 6, 2003, to file four semi-annual storage reports, for the period beginning April 2001 and ending March 2003, as required by Section 284.13(e) of the Commission's regulations.

III.

A. Dominion Resources, DTI and DEC admit that:

1. The Risk Group Employee was a non-operating employee, as the Commission defined that term in Order No. 497-E, because his work was supportive in

nature and he was not engaged in any daily transportation operations; and

2. The Risk Group Employee served as an improper conduit of transmission information by distributing his projection of the weekly EIA report and AGA report, which projection was based in part on the weekly non-public DTI storage inventory number, to trading and marketing group employees, and by providing the DTI number to the Dominion Gas Trader.

B. Dominion Resources, DTI and DEC admit that by virtue of the Risk Group Employee distributing his projection of the weekly EIA report and AGA report to trading and marketing group employees and by providing the DTI number to the Dominion Gas Trader, without contemporaneously providing the same information to all potential shippers on its system, DTI violated section 161.3(f) of the Commission's regulations, 18 C.F.R. § 161.3(f) (2003).

IV.

A. Dominion Resources shall refund to the customers and in the amounts identified in Appendix A to the Agreement the sum of $4,500,000. Dominion Resources shall disburse the refunds to customers in the amounts and in the manner indicated in Appendix A. Within thirty days after the date that the Commission approves the Agreement without modification, and that approval becomes final, Dominion Resources shall, in the docket in which the Commission approves the Agreement, file a certification stating that the refunds described in the paragraph have been made.

B. The method used to prepare Appendix A is as follows. DTI has allocated the total refund of $4,500,000 among its non-affiliated firm storage service customers in proportion to each customer's share of the total firm storage reservation revenues (Demand and Capacity) received by DTI applicable to services rendered during 2002. The refund is to be paid to each customer by means of a cash payment via check or wire transfer. Where a refund amount due to any customer is less than $100,000, DTI shall have the option to provide the amount by means of a credit to the customer's bill, which shall be separately identified as a refund attributable to implementation of the Agreement.

C. Dominion Resources shall pay to the United States Treasury a civil penalty in the sum of $500,000 by delivering a certified check made payable to Federal Energy Regulatory Commission, Lockbox 93938, Chicago, Illinois 60673.

D. DTI and DEC shall comply with the prospective measures set forth in

Appendix B. DTI's failure to comply with these measures may result in enforcement of the terms of this Agreement by the FERC consistent with the Natural Gas Act, which may include suspending DEC's blanket marketing certificate under Subpart L of Part 284 of the Commission's regulations.

E. DTI shall fully comply with the requirements of 18 C.F.R. § 284.13(e) (2003) in the timely filing of the required semi-annual storage reports. DTI shall comply with the prospective measures set forth in Appendix C.

V.

A. Enforcement agrees that the Agreement is a full and complete settlement of all administrative or civil claims the Commission has or may have against Dominion Resources or DTI, or any of their officers, directors or employees, either before the Commission or in the courts, relating only to the facts recited in Section II of the Agreement.

B. Enforcement, Dominion Resources, DEC and DTI agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of Enforcement, Dominion Resources, DEC or DTI has been made to induce any other party to enter into the Agreement.

C. If the Commission does not issue an order which becomes final approving the Agreement, without modification, the Agreement shall be null and void, unless otherwise agreed in writing by Enforcement, Dominion Resources, DEC and DTI.

D. The undersigned representatives of Dominion Resources, DEC and DTI, respectively, affirm that they have each read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of their knowledge, information and belief, and that they understand that the Agreement is entered into by Enforcement in express reliance on those representations.

E. The Agreement binds Dominion Resources, DEC and DTI and their agents, successors and assigns.

F. In connection with the payment of the civil penalty provided for herein, Dominion Resources, DTI and DEC agree that the Commission's order approving the Agreement without modification shall be a final and unappealable order assessing a civil penalty under section 504 of the NGPA, 15 U.S.C. § 3414 (2000). With regard to such civil penalty, Dominion Resources, DTI and DEC waive: a Notice of Proposed Penalty under section 504(b)(6)(E) of the NGPA, 15 U.S.C. § 3414(b)(6)(E) (2000); hearings pursuant to the applicable provisions of the NGPA; the filing of proposed findings of fact and conclusions of law; an Initial Decision by an Administrative Law Judge pursuant to the Commission's Rules of Practice and Procedure; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.

G. Dominion Resources, DEC and DTI waive judicial review by any court of any Commission order approving the Agreement without modification.

H. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity, and accepts the Agreement on the entity's behalf.

I. The Appendices referenced in the Agreement and attached hereto are expressly made part of, and incorporated in, the Agreement.

Agreed to and accepted:

Robert E. Pease
Robert E. Pease, Director
Enforcement Division,
Office of Market Oversight and Investigations

7/19/04
Date

James L. Sanderlin
James L. Sanderlin
Senior Vice President - Law
Dominion Resources, Inc. on behalf of itself and its energy marketing and trading operation known as the Dominion Energy Clearinghouse

April 29, 2004
Date

Patricia A. Wilkerson
Patricia A. Wilkerson
Vice President and Secretary
Dominion Transmission, Inc.

April 29, 2004
Date

Stipulation Appendix A
Dominion Transmission, Inc. Refunds

Line No.	Customer Name (a)	Percentage of Storage Demand Revenue for 2002 (b)	Refund Amount based on Storage Demand (c)	Percentage of Storage Capacity Revenue for 2002 (d)	Refund Amount based on Storage Capacity (e)	Total Refund Amount (f)
1	ADAMS RESOURCES MARKETING, LTD	0.03%	$ 675.00	0.05%	$ 1,125.00	$ 1,800.00
2	AEP ENERGY SERVICES, INC.	0.64%	14,400.00	0.66%	14,850.00	29,250.00
3	AGWAY ENERGY SERVICES, INC.	0.43%	9,675.00	0.31%	6,975.00	16,650.00
4	ALLENERGY GAS & ELECTRIC MARKE	0.52%	11,700.00	0.40%	9,000.00	20,700.00
5	AMERADA HESS CORPORATION	1.42%	31,950.00	1.27%	28,575.00	60,525.00
6	ATHENS UTILITIES BOARD	0.01%	225.00	0.01%	225.00	450.00
7	ATMOS ENERGY CORPORATION	0.26%	5,850.00	0.27%	6,075.00	11,925.00
8	BALTIMORE GAS & ELECTRIC COMPA	0.64%	14,400.00	0.66%	14,850.00	29,250.00
9	BAY STATE GAS COMPANY	0.24%	5,400.00	0.00%	-	5,400.00
10	BERKSHIRE GAS COMPANY	0.04%	900.00	0.06%	1,350.00	2,250.00
11	BOSTON GAS COMPANY, INC.	0.00%	-	0.00%	-	-
12	BROOKLYN UNION GAS COMPANY	2.51%	56,475.00	2.65%	59,625.00	116,100.00
13	CENTRAL HUDSON GAS & ELECTRIC	0.24%	5,400.00	0.35%	7,875.00	13,275.00
14	CITIZENS GAS UTILITY DISTRICT	0.00%	-	0.00%	-	-
15	CITY OF COOKEVILLE NATURAL GAS	0.02%	450.00	0.02%	450.00	900.00
16	CITY OF ETOWAH--UTILITIES DEPA	0.01%	225.00	0.01%	225.00	450.00
17	CITY OF NORWICH DEPARTMENT OF	0.04%	900.00	0.04%	900.00	1,800.00
18	CITY OF RICHMOND	0.67%	15,075.00	0.51%	11,475.00	26,550.00
19	COLONIAL GAS CO	0.37%	8,325.00	0.39%	8,775.00	17,100.00
20	COLUMBIA GAS OF OHIO INC	0.00%	-	0.00%	-	-
21	COLUMBIA GAS OF PENNSYLVANIA	0.19%	4,275.00	0.42%	9,450.00	13,725.00
22	COLUMBIA GAS OF VIRGINIA	0.32%	7,200.00	0.22%	4,950.00	12,150.00
23	CONNECTICUT NATURAL GAS CORP	1.02%	22,950.00	1.37%	30,825.00	53,775.00
24	CONSOLIDATED EDISON OF NY	0.75%	16,875.00	1.07%	24,075.00	40,950.00
25	CORNING NATURAL GAS CO	0.36%	8,100.00	0.27%	6,075.00	14,175.00
26	CROWN ENERGY SERVICES, INC.	0.01%	225.00	0.01%	225.00	450.00
27	DOSWELL LIMITED PARTNERSHIP	0.00%	-	0.00%	-	-
28	DUKE ENERGY TRADING	0.11%	2,475.00	0.13%	2,925.00	5,400.00
29	DYNEGY MARKETING & TRADE	0.43%	9,675.00	0.52%	11,700.00	21,375.00
30	ECONNERGY ENERGY COMPANY, INC	0.51%	11,475.00	0.36%	8,100.00	19,575.00
31	ECONNERGY ENERGY COMPANY, INC.	0.62%	13,950.00	0.43%	9,675.00	23,625.00
32	EL PASO MERCHANT ENERGY - GAS,	2.58%	58,050.00	2.59%	58,275.00	116,325.00
33	EL PASO NATURAL GAS COMPANY	0.54%	12,150.00	0.83%	18,675.00	30,825.00
34	ELIZABETHTOWN GAS COMPANY	1.67%	37,575.00	2.19%	49,275.00	86,850.00
35	EMPIRE NATURAL GAS CORPORATION	0.02%	450.00	0.01%	225.00	675.00
36	ENERGETIX, INC.	0.70%	15,750.00	0.39%	8,775.00	24,525.00
37	ENERGY COOPERATIVE OF NEW YORK	0.02%	450.00	0.01%	225.00	675.00

38	ENERGY EAST SOLUTIONS	0.00%	-	0.00%	-	-
39	ENERGY NORTH / MANCHESTER	0.00%	-	0.00%	-	-
40	ENRON ENERGY SERVICES, INC.	0.00%	-	0.00%	-	-
41	ENTERGY-KOCH TRADING L.P.	0.23%	5,175.00	0.35%	7,875.00	13,050.00
42	EQUITABLE ENERGY, L.L.C.	1.12%	25,200.00	0.78%	17,550.00	42,750.00
43	EQUITABLE GAS COMPANY	0.70%	15,750.00	0.49%	11,025.00	26,775.00
44	FAYETTEVILLE GAS SYSTEM	0.01%	225.00	0.01%	225.00	450.00
45	FILLMORE GAS	0.02%	450.00	0.02%	450.00	900.00
46	FIRSTENERGY SOLUTIONS,CORP.	0.01%	225.00	0.00%	-	225.00
47	FITCHBURG GAS & ELECTRIC LIGHT	0.01%	225.00	0.02%	450.00	675.00
48	GALLATIN NATURAL GAS SYSTEM	0.01%	225.00	0.01%	225.00	450.00
49	HAWKINS COUNTY-NATURAL GAS UTI	0.01%	225.00	0.01%	225.00	450.00
50	INTERSTATE GAS SUPPLY, INC	0.13%	2,925.00	0.08%	1,800.00	4,725.00
51	JAMESTOWN NATURAL GAS SYSTEM	0.01%	225.00	0.01%	225.00	450.00
52	KEYSPAN GAS EAST CORP.D.B.A.KE	3.38%	76,050.00	4.16%	93,600.00	169,650.00
53	LEWISBURG GAS DEPARTMENT	0.01%	225.00	0.01%	225.00	450.00
54	LIVINGSTON GAS SYSTEM	0.01%	225.00	0.01%	225.00	450.00
55	LOUDON UTILITIES-GAS DEPARTMEN	0.01%	225.00	0.01%	225.00	450.00
56	MAIN BROS. OIL CO. , INC.	0.05%	1,125.00	0.03%	675.00	1,800.00
57	MARION NATURAL GAS SYSTEM	0.01%	225.00	0.01%	225.00	450.00
58	METROMEDIA ENERGY, INC.	0.03%	675.00	0.03%	675.00	1,350.00
59	MIRANT AMERICAS ENERGY MARKETI	0.97%	21,825.00	1.54%	34,650.00	56,475.00
60	MONROE COUNTY	0.04%	900.00	0.02%	450.00	1,350.00
61	NASHVILLE GAS COMPANY	0.10%	2,250.00	0.07%	1,575.00	3,825.00
62	NATIONAL FUEL GAS DISTRIBUTION	2.51%	56,475.00	1.81%	40,725.00	97,200.00
63	NATIONAL FUEL RESOURCES, INC	0.04%	900.00	0.03%	675.00	1,575.00
64	NATIONAL GAS & OIL CORPORATION	0.02%	450.00	0.03%	675.00	1,125.00
65	NEW JERSEY NATURAL GAS COMPANY	3.09%	69,525.00	4.02%	90,450.00	159,975.00
66	NEW YORK STATE ELECTRIC & GAS	3.44%	77,400.00	2.61%	58,725.00	136,125.00
67	NIAGARA MOHAWK POWER CORPORATI	11.00%	247,500.00	7.98%	179,550.00	427,050.00
68	NORTH AMERICAN ENERGY, INC.	0.15%	3,375.00	0.10%	2,250.00	5,625.00
69	NORTH ATTLEBORO GAS CO.	0.00%	-	0.00%	-	-
70	NORTH JERSEY ENERGY ASSOCIATES	0.37%	8,325.00	0.54%	12,150.00	20,475.00
71	NORTHEAST ENERGY ASSOCIATES	0.49%	11,025.00	0.71%	15,975.00	27,000.00
72	NSTAR GAS COMPANY	0.31%	6,975.00	0.43%	9,675.00	16,650.00
73	NYSEG SOLUTIONS, INC.	0.00%	-	0.00%	-	-
74	OAKRIDGE UTILITY DISTRICT	0.02%	450.00	0.01%	225.00	675.00
75	PECO ENERGY COMPANY	1.11%	24,975.00	1.47%	33,075.00	58,050.00
76	PHILADELPHIA GAS WORKS	1.09%	24,525.00	1.74%	39,150.00	63,675.00
77	PPL GAS UTILITIES CORPORATION	0.13%	2,925.00	0.19%	4,275.00	7,200.00
78	PROVIDENCE GAS COMPANY	0.48%	10,800.00	0.63%	14,175.00	24,975.00
79	PSEG ENERGY RESOURCES & TRADE	7.29%	164,025.00	8.00%	180,000.00	344,025.00
80	PUBLIC SERVICE CO OF NC	0.00%	-	0.00%	-	-
81	PUBLIC SERVICE ELECTRIC & GAS	3.81%	85,725.00	4.24%	95,400.00	181,125.00
82	RELIANT ENERGY SERVICES, INC.	0.34%	7,650.00	0.39%	8,775.00	16,425.00
83	ROCHESTER GAS & ELECTRIC CORPO	3.03%	68,175.00	1.70%	38,250.00	106,425.00

84	SELECT ENERGY NEW YORK, INC.	0.44%	9,900.00	0.31%	6,975.00	16,875.00
85	SELECT ENERGY, INC.	0.03%	675.00	0.04%	900.00	1,575.00
86	SEMPRA ENERGY TRADING CORPORAT	0.14%	3,150.00	0.19%	4,275.00	7,425.00
87	SOUTH JERSEY GAS CO	0.00%	-	0.00%	-	-
88	SOUTHERN CONNECTICUT GAS CO	1.13%	25,425.00	1.58%	35,550.00	60,975.00
89	SOUTHERN UNION COMPANY	0.33%	7,425.00	0.45%	10,125.00	17,550.00
90	SPRAGUE ENERGY CORPORATION	0.00%	-	0.00%	-	-
91	SWEETWATER UTILITIES BOARD	0.01%	225.00	0.01%	225.00	450.00
92	T W PHILLIPS GAS AND OIL CO.	1.12%	25,200.00	0.93%	20,925.00	46,125.00
93	TELECON ENERGY SERVICES	0.01%	225.00	0.01%	225.00	450.00
94	TENNESSEE AIR NATIONAL GUARD	0.00%	-	0.00%	-	-
95	TENNESSEE GAS PIPELINE	2.55%	57,375.00	5.32%	119,700.00	177,075.00
96	TEXAS EASTERN TRANSMISSION	2.51%	56,475.00	1.74%	39,150.00	95,625.00
97	THE NEW POWER COMPANY, INC.	0.19%	4,275.00	0.11%	2,475.00	6,750.00
98	TIGER NATURAL GAS, INC.	0.00%	-	0.00%	-	-
99	TITAN ENERGY, INC.	0.04%	900.00	0.02%	450.00	1,350.00
100	TOWN OF ENGLEWOOD	0.00%	-	0.00%	-	-
101	TOWN OF GAINESBORO	0.00%	-	0.00%	-	-
102	TOWN OF MADISONVILLE	0.00%	-	0.00%	-	-
103	TOWN OF MIDDLEBOROUGH	0.00%	-	0.00%	-	-
104	TOWN OF MONTEAGLE PUBLIC UTILI	0.00%	-	0.00%	-	-
105	TRANSCONTINENTAL GAS PIPELINE	23.00%	517,500.00	21.73%	488,925.00	1,006,425.00
106	TXU PORTFOLIO MANAGEMENT COMPA	0.28%	6,300.00	0.20%	4,500.00	10,800.00
107	UGI UTILITIES, INC.	0.43%	9,675.00	0.76%	17,100.00	26,775.00
108	UNION ELECTRIC COMPANY	0.06%	1,350.00	0.08%	1,800.00	3,150.00
109	VILLAGE ILION MUNICIPAL GAS UT	0.01%	225.00	0.01%	225.00	450.00
110	VIRGINIA NATURAL GAS	2.20%	49,500.00	1.57%	35,325.00	84,825.00
111	WASHINGTON GAS LIGHT	1.49%	33,525.00	1.51%	33,975.00	67,500.00
112	WOODHULL MUNICIPAL GAS	0.01%	225.00	0.01%	225.00	450.00
113	YANKEE GAS SERVICES CO	0.49%	11,025.00	0.64%	14,400.00	25,425.00
114						
115	TOTALS	100.00%	$ 2,250,000.00	100.00%	$ 2,250,000.00	$ 4,500,000.00

APPENDIX B

STANDARDS OF CONDUCT COMPLIANCE PLAN FOR DOMINION TRANSMISSION, INC. AND ITS ENERGY AFFILIATES

This Standards of Conduct Compliance Plan (Compliance Plan) responds to specific issues and recommendations arising from a non-public investigation conducted by the Division of Enforcement, Office of Market Oversight and Investigations (OMOI).

Dominion Transmission, Inc. (DTI), Dominion Energy Clearinghouse (DEC), and DTI's "Marketing Affiliates" and/or "Energy Affiliates" as that term is defined in 18 C.F.R. § 358.3 (hereinafter collectively referred to as Dominion) will implement the following policies and procedures to resolve issues that have arisen regarding compliance with the Federal Energy Regulatory Commission's (Commission's) applicable statutes, rules, and regulations.

This Compliance Plan applies to Dominion and to any successor companies owned or controlled by Dominion and will remain in effect for three years following the Effective Date of the Stipulation and Consent Agreement in Docket Nos. IN04-2-000. (Agreement). This Compliance Plan is a part of the Commission's Order approving the Agreement.

Dominion may request that the Commission modify this Compliance Plan during its three-year term. Nothing in this Compliance Plan relieves Dominion from complying with the Commission's rules and regulations currently in effect and as they may be amended.

I. Standards of Conduct Compliance Officer

Dominion will designate an individual whose title will be "Chief Compliance Officer" (Compliance Officer). This individual and his or her staff, as appropriate, will be the contact for Commission staff for Dominion's Standards of Conduct compliance issues and will be responsible for implementing this Compliance Plan.

II. Training

A. Dominion will develop written material for Standards of Conduct training, consistent with Order No. 2004 and any subsequently issued orders of the Commission, and will utilize a computer based Learning Management System (LMS) to implement and track yearly Standards of Conduct training for "Gas-related Employees." The term "Gas-related Employees" means: (a) all DTI "transmission function" employees, including all officers and directors of DTI that engage in a transmission function, as defined in 18 C.F.R. § 358.3, *et seq.*, and related Commission pronouncements, and all officers and directors of DTI who are shared employees; (b) all DTI Marketing Affiliate and/or Energy Affiliate employees who provide services related to contracting, scheduling, billing or gas control for natural gas transportation, sales, or purchases; and (c) all Dominion employees who provide risk management, Information Technology (IT), accounting, contract administration, billing, software development, or legal services related to the transportation or marketing of natural gas to both DTI and to one or more of its Marketing Affiliates and/or Energy Affiliates. The policy shall include appropriate disciplinary measures for employees who violate the policy.

B. The training material shall be consistent with the requirements of Order No. 2004, as it may be modified, as well as all other applicable Commission rules and regulations regarding the relationship between interstate pipelines and their affiliates. In addition, the training material shall include specific instruction regarding the procedures and mechanism designed to comply with the requirements of Sections III and IV of this Appendix B. Dominion's current version of the training material is attached as an Attachment to this Appendix. However, Dominion maintains the right to modify the training material to reflect changes in Commission policy or other relevant developments and to make non-material changes in the presentation of the policy, as long as the material continues to reflect the obligations of this Stipulation and generally applicable Commission rules. In addition, DTI may vary the scope of the materials related to compliance with generally applicable rules that are not relevant to the Stipulation, depending on the specific job function of the employees trained.

C. The Compliance Officer will be responsible for the following:

1. Compiling a list of all Gas-related Employees, ensuring that they are entered into the LMS and assigned the training requirement described in this Section.

2. Ensuring that the LMS will track the annual requirement for this training and notifying all Gas-related Employees of the time and place for Standards of Conduct training, with the first training beginning within three months of the Commission order approving the Stipulation.

3. Providing an electronic or hard-copy of the written Standards of Conduct training material to each Dominion Gas-related Employee when training is provided, with a level of detail appropriate to the Employee's job function.

4. Including information in the training package describing a "Hotline" (see below) through which Dominion employees can anonymously report violations of the Standards of Conduct.

5. Ensuring that the LMS will maintain all certifications of attendance and materials used in the Standards of Conduct training until the next Standards of Conduct audit by the Commission.

6. No later than the end of each year, comparing the certifications of attendance to the list of Gas-related Employees to determine whether each Gas-related Employee participated in the Standards of Conduct training.

7. Notifying Dominion's LMS group of any person who did not participate in the Standards of Conduct training so that the training for the individual can be rescheduled.

8. Receiving from Dominion's Human Resources department information that a transmission employee has transferred between DTI, on the one hand, and any Marketing or Energy Affiliate, on the other within two Business Days of the transfer. The Compliance Officer must then notify appropriate personnel in the transferred employee's former function that e-mail lists, other mailing lists and shared computer access codes specific to the transferring employee must be changed as appropriate to reflect the transfer.

9. Maintaining Dominion's policy on disciplinary measures for employees to reflect that violations of the Standards of Conduct, or any practice or procedure adopted as part of the Stipulation and Consent Agreement, will be subject to disciplinary actions up to, and including termination, because Dominion will not tolerate violations.

10. Ensuring retention of documents, for a period of three years, that pertain to audits, employee complaints, employee training, employee non-compliance with this plan, disciplinary actions relating to Standards of Conduct violations, and all other requirements of this Appendix B.

D. Dominion may combine the Standards of Conduct training with other types of employee training and may provide training and training materials via e-mail or the Intranet with a process to certify participation by persons who must receive training.

III. Hotline

Dominion has a designated "Hotline" telephone number so infractions of the Standards of Conduct can be reported anonymously to the Compliance Officer. Dominion may combine this Hotline with its other anonymous, internal hotlines, if applicable. Within 30 days after the end of each calendar quarter, the Compliance Officer will provide a report to OMOI, describing the content and resolution of any calls to the Hotline that quarter that raise issues relating to the Standards of Conduct.

IV. Distribution of or Access to Confidential Reports

A. DTI shall implement the following procedures or actions intended to ensure that confidential, non-public information concerning DTI's transportation system (including information about available transportation capacity, storage capacity and inventory levels, pricing of capacity, curtailments, balancing services, maintenance activity, expansion plans and similar information) is not provided to employees of its Marketing Affiliates and/or Energy Affiliates in violation of Commission regulations.

1. Secure Transmission facilities such that DEC and Marketing and Energy Affiliate employees are prohibited from having access to locations and computer systems that contain DTI's transmission information.

2. Monitor employees that transfer out of DTI. Remove these employees from known distribution lists and change the employee's internal email address in an effort to ensure that inadvertent emails will not be delivered.

3. Survey all DTI employees to develop a list of reports containing confidential, non-public information concerning DTI's transportation system that are regularly circulated to multiple people.

4. Create a "Compliance" email account. All DTI employees shall be instructed to copy this "Compliance mailbox" on any email containing distributed, confidential, non-public transmission information. The collective group of recipients shall be regularly reviewed to confirm the identity and lawful ability to receive the relevant information.

5. For any reports containing confidential, non-public information concerning DTI's transportation system that are distributed in hard copy, the Compliance Officer shall be provided with a copy of the distribution list and added to that list. The collective group of recipients shall be regularly reviewed to confirm the identity and lawful ability to receive the relevant information.

B. Dominion will conduct an internal audit each year in which this Compliance Plan is in effect, concerning the distribution of all reports containing confidential, non-public information regularly circulated to multiple people. The first audit shall begin six months after the effective date of this Stipulation, and additional audits shall be begin on the first and second anniversaries of that audit. Audits must be completed within 90 days after they begin.

C. The Compliance Officer will be responsible for the following

1. Reviewing the recipient lists for distributed reports.

2. Monitoring DTI employee transfers and taking necessary actions.

3. Requiring Dominion's Internal Audit Department (IA Department) to submit, under oath, the audit report to the Compliance Officer within 90 days after the audit is begun.

4. Submitting the audit to OMOI within 100 days after it is begun.

5. Reviewing Audit findings, determining which recommendations will be implemented and documenting in the audit record why any recommendations were not implemented.

6. Requiring that those actions resulting from 4, above be initiated and, if possible, completed within 30 days after submission of the audit report.

7. Requiring that all working papers and audit records be maintained until the next Standards of Conduct audit by the Commission.

D. Dominion does not condone or tolerate violations of the Standards of Conduct. Employees who fail to comply with these rules, or any procedures or policies adopted as part of the Stipulation and Consent Agreement, will be subject to disciplinary actions up to, and including, termination.

Standards of Conduct for Transmission Providers

Dominion Resources, Inc.

April, 2004

FERC Strictly Enforces the Standards of Conduct

- 1998 NGPL violations of standards - \$8.8 million fine
- 2000 Kinder Morgan violations of standards -- \$5 million fine
- 2000 Columbia violations of standards and other things - \$27.5 million disgorgement of profits.
- 2002 Violation of standards was a part of the California v. El Paso case – leading to \$1.8 billion settlement
- 2003 Transco violations of standards -- \$20 million fine
- 2003 Cleco violations of standards and Federal Power Act -- \$2.75 million fine and disgorged profits
- 2003 National Fuel *minor* violations – process remedies plus \$300,000
- 2003 Idaho Power violations of standards and Federal Power Act -- \$6 million in refunds
- 2003 audits of TETCO and Trunkline's compliance with standards and other regulations announced & now pending

Dominion Stipulation

- In 2004, Dominion entered into a Stipulation with FERC that required the payment of $4.5 million of refunds plus a $500,000 fine.
- Dominion self-disclosed a violation of the restrictions on sharing confidential, non-public transportation (or transmission) information.
- A DTI employee left the pipeline to work in risk management, but improperly remained on a weekly distribution list for non-public data on DTI's inventory storage level, for a period of approximately 2 ½ years.
- The risk management employee used the weekly non-public DTI information, along with other data, to produce an estimate of nation-wide EIA storage levels, which he distributed widely, including to DEC employees.
- The risk management employee also gave the weekly non-public DTI information to one DEC gas trader.
- The risk employee should not have received the non-public storage data from DTI and should not have used it as he did, and the DEC trader should not have taken the DTI information.

Changing Environment Leading to Order 2004

- 2002 expansion of FERC's Office of Market Oversight and Investigation
- Scandals - Enron, California, etc.
- Market reaction to whiff of scandal
- FERC is focus of political pressure to be more of a strict regulator

New Rule – Order 2004

Standards of Conduct for Transmission Providers

- The new FERC rules are intended to promote wholesale electric and gas supply competition through non-discriminatory access to the electric transmission and gas pipeline grids.
- Intent is to ensure that electric transmission providers and interstate pipelines do not use market power to provide preference to affiliates
- Order 2004 combines (and modifies) existing gas and electric standards into a single set of rules that apply to all electric utilities and gas pipelines, their marketing functions and their "energy affiliates"
- We must be in compliance by September 1, 2004

Key Elements of Order 2004 Rules

1. Separation of Functions
2. Information Access Restrictions
   - No Conduit Rule
3. Non-Discrimination Requirements
4. OASIS/Internet Posting Requirements

1. Separation of Functions

- **"Transmission Provider"** -there are three in Dominion :
  - Dominion Virginia Power
  - Dominion Transmission, Inc.
  - Dominion Cove Point

- FERC requirement: the Transmission Function of each Transmission Provider must operate independently from the marketing function of the Transmission Provider and from all Marketing and Energy Affiliates, must treat all transmission customers on a non-discriminatory basis, and cannot operate its transmission system to benefit a Marketing or Energy Affiliate.

Transmission and Marketing Functions

- **"Transmission Function"** employee:
  - An employee, contractor, consultant, or agent of the Transmission Provider who conducts transmission system operations or reliability functions, including, but not limited to, those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing, or carrying out transmission-related operations. Transmission Function employees cannot be shared.
- **"Energy Marketing or Sales Function"** employee:
  - An employee within Dominion Virginia Power who makes sales for resale of gas or electricity in interstate commerce, including any employee of the utility's energy sales unit or pipeline's sales operating unit. There is one Dominion group that qualifies: Energy Supply group in Fossil & Hydro.

Marketing and Energy Affiliates

- **"Marketing Affiliates"** are any companies affiliated with Dominion engaged in marketing, sales or brokering activities.
- **"Energy Affiliates"** are any companies affiliated with Dominion that:
  - manage or control transmission capacity; or
  - buy, sell, trade or administer electric or natural gas energy in U.S. energy or transmission markets; or
  - engage in or are involved in transmission transactions in U.S. energy or transmission markets (meaning hold, request, buy, sell, manage, control or aggregate capacity); or
  - engages in financial transactions relating to the sale or transmission of natural gas or electric energy in US energy or transmission markets.

Marketing and Energy Affiliates

- **"Energy Affiliates,"** however, do not include:
  - affiliated Transmission Providers;
  - Dominion Resources itself or Dominion Resource Services;
  - an affiliate purchasing gas or energy solely for its own consumption; or
  - any local distribution company that makes no off-system sales, other than de minimus quantities for balancing purposes.
- DRI or Service Company employees "assigned, dedicated, or working on behalf of" an Marketing or Energy Affiliate are deemed employees of that affiliate.
- The complete list of Dominion Marketing and Energy Affiliates will be posted on OASIS and the Internet. There are about [__] companies that fit this definition.

Marketing and Energy Affiliates

<u>Electric</u>	<u>Gas</u>
[list of affiliates]	**[list of affiliates]**

Separation of Functions

- Transmission Providers may not permit Marketing Function employees or Energy Affiliate employees to:
  - conduct transmission system operations or reliability functions; or
  - have access to the transmission control centers or similar facilities used for transmission operations or reliability functions.
- Transmission Providers must keep separate books and records from those of their Energy Affiliates.
- Employees do not have to be employed by the Transmission Provider to be covered. DRI or Service Company employees "assigned, dedicated or working on behalf of" the Transmission Provider are deemed to be employees of the Transmission Provider.

Shared Employees

- Transmission Providers may share certain employees (corporate support staff, field and maintenance employees, and senior officer and directors) with their Marketing Function and Energy Affiliates, subject to the "No Conduit Rule."
- Exceptions:
  - Employees participating in directing, organizing or executing transmission system operations or reliability functions or directing the policy of the Transmission Provider are not "support employees"
  - Field employees except for supervisors who take part in advance planning for facility shut downs or are involved in shutting down facilities based on economic reasons.
  - Risk management employees may be shared only as long as they are not "operating employees" of the Transmission Provider or an Energy Affiliate

Examples of Permissible Shared Employees

- Back office functions may be shared.
- Field employees – including technicians, mechanics, and their immediate supervisors – may be shared.
- Risk Management employees, evaluating exposure to a third party on an aggregate basis or managing overall corporate investment, may be shared.
- Senior officers who do not engage in the Transmission Function may be shared.

Examples of Impermissible Shared Employees

- A field employee that plans facility shutdowns in advance, or based on economic reasons, may NOT be shared.
- A employee assessing the creditworthiness of a potential customer under DTI's tariff, may NOT be shared.
- An executive who has day-to-day transmission related responsibilities for a Transmission Provider may NOT be shared.

Separation of Functions - Exceptions

- In emergency circumstances affecting system reliability, a Transmission Function employee may take whatever steps are necessary to keep the system in operation.
- The Transmission Provider must report to the FERC each emergency that resulted in any deviation from the Standards of Conduct within 24 hours.

Separation - Access

- Access will be limited for many Dominion buildings or floors where Transmission Function employees work. These buildings or floors will have card access readers or other access controls.
- Marketing and Energy Affiliate employees must be escorted within Transmission Function controlled access areas.
- Marketing and Energy Affiliate employees have no access to a Transmission Control Center.
- Other Dominion employees and contractor employees may also experience access limitations for these buildings or floors.

2. Information Access Restrictions

- Marketing and Energy Affiliate employees may have access only to that transmission information concurrently available to all transmission customers on OASIS or the Internet website.
- Transmission Information includes:
  - Available capacity
  - Transmission service requests and request status
  - Transmission service pricing offers
  - Transmission facility construction plans
  - Transmission maintenance schedules
  - Curtailments of transmission service
- The prohibition also applies to non-public information about the transmission systems of other utilities.

Information Distribution

- Know to whom you are sending Transmission information
- Transferred employees will be given new internal email addresses
  - if an email comes back to you as "undelivered", check to make sure the intended recipient has not transferred to an Energy Affiliate or marketing unit.
- All regularly emailed transmission information reports that are distribute to multiple employees shall also be copied to the "Compliance Officer" email box. The Compliance Officer will regularly review the distribution lists.
- Hard copy transmission information reports shall also include the Compliance Officer on the distribution list for regular review.

Permitted Communications

- Marketing or Energy Affiliates may communicate with the Transmission Function regarding their own requests for service (including requests for interconnections or expansions) like any other Transmission Customers.
- Transmission Providers are not required to disclose to all customers information related solely to a Marketing or Energy Affiliate request for transmission service.
- When the Transmission Provider discusses an expansion with a Marketing or Energy Affiliate, it must post in advance notice of its intent to meet, and must transcribe the meeting and retain the transcript.

Permitted Communications

- Transmission Provider may share information necessary o operate and maintain the transmission system on a day-to-day basis (as well as information required by applicable regulatory requirements) with Marketing or Energy Affiliates.
- Transmission Provider may share generation information necessary to perform generation dispatch with its Marketing Function or Energy Affiliate, but excluding specific information about:
  - third-party transmission transactions or potential transmission arrangements, and
  - generation dispatch from third-party generators.

Transmission Customer Information

- Transmission Provider may not share with Marketing Function or Energy Affiliates information acquired from or developed in responding to non-affiliated Transmission Customers (including potential Transmission Customers)
- Transmission Provider may share information about non-affiliated Transmission Customers, **with** such customers' **written consent**. However, the Transmission Provider must post notice of the consent along with a statement that it did not provide any preferences in exchange for the consent.

Disclosure of Communications

- If a Transmission Provider discloses non-public Transmission Information to its Marketing or Energy Affiliate, the information must be immediately posted on OASIS or the Internet website so all Transmission Customers have comparable access to the information.

No Conduit Rule

- Shared Employees of Transmission Providers (or the Service Company) are permitted to receive non-public Transmission Information, but cannot provide such information to the Marketing or Energy Affiliates.
- If non-public Transmission Information is shared in violation of the no conduit rule, the information must be immediately posted on OASIS or the Internet.

Employees Subject to No Conduit Rule

- No Conduit Rule applies to Shared:
  - Support Employees;
  - Field and Maintenance Employees; and
  - Senior Management
- Employees subject to No Conduit Rule cannot have day-to-day responsibilities for operation of transmission system or pipelines or for marketing of electric energy or capacity or gas

Information Access - Precautions

- All Dominion employees – and particularly Transmission Function employees -- must be careful not to share non-public transmission information with any Marketing or Energy Affiliate employees.
- If you are unsure whether information is covered by the rule or what the status of a particular employee is, ASK.

3. Non-Discrimination Requirements

- Transmission Providers must:
  - have an open access tariff on file with FERC.
  - treat all Transmission Customers on a non-discriminatory basis.
  - not operate their transmission systems to preferentially advantage their Marketing or Energy Affiliates.

4. OASIS and Internet Posting Requirements

- The following must be posted:
  - Any shared non-public transmission information
  - Sales and marketing units and Energy Affiliates
  - Shared facilities
  - Organizational structure
  - Transmission Provider business units, job titles, etc.
  - Certain employee transfers
  - Announced potential mergers

Dominion reaction to changes and Order 2004

- Dominion does not condone, and will not tolerate, violations of the Standards of Conduct.
- Employees that violate the Standards will be subject to disciplinary action, up to and including termination.
- Remember the rules as you act
- Do not take chances
- Err on the cautious side
- If you have questions or doubts, ASK

Where to Direct Questions and Concerns

- If you have any questions about the implementation of the Order 2004 rules, please contact Bill Allen (the Chief Compliance Officer) or attorneys Margaret Peters or Vishwa B. Link.
- If you want to share a concern anonymously, visit the Compliance web page on the Dominion Intranet.

Certificate of Completion

- I acknowledge that I have taken this FERC Standard of Conduct compliance training. I agree to comply fully with these Standards of Conduct in performing my job functions. I understand that if I have questions regarding interpretation of these Standards of Conduct, I should contact the Chief Compliance Officer. I also understand that I should immediately report any apparent violation of the Standards of Conduct to the Chief Compliance Officer or the appropriate designee.
- Signature: ____________________ Date:_____________
- Print Name:____________________
- Job Title:______________________

APPENDIX C

Section 284.13(e) of the Commission's regulations, 18 CFR § 284.13(e) (2003) requires interstate pipelines, within 30 days of the end of each complete storage injection and withdrawal season, to file with the Commission a report of storage activity. The report must be signed under oath by a senior official, consist of an original and five conformed copies, and contain a summary of storage injection and withdrawal activities

As part of this Stipulation, DTI commits to comply fully and promptly with this semi-annual storage report requirement. DTI's Director of Transmission Services shall have ultimate responsibility for ensuring compliance with this requirement. The Manager of Gas Transportation Services, shall designate a transportation analyst to compile the report. The designated transportation analyst shall contact personnel in DTI's system optimization group within seven business days of the end of each complete storage injection and withdrawal season seeking the required data. Working with system optimization, the transportation analyst shall compile the required report for the review of the Manager of Gas Transportation Services within twenty days of the end of each season. The Manager of Gas Transportation Services and the Director of Transmission Services shall ensure that the report is filed as required by the regulations and this Stipulation.

Stipulation and Consent Agreement
To Be Submitted To
The Federal Energy Regulatory Commission

I.

The Enforcement Division of the Office of Market Oversight and Investigations (Enforcement); and Northern Illinois Gas Company (which does business as Nicor Gas) (hereafter Nicor) enter into this Stipulation and Consent Agreement (Agreement). This Agreement resolves all claims the Commission has or may have against Nicor relating only to the facts recited in Section II of the Agreement that arise from a non-public investigation (investigation) that Enforcement conducted pursuant to Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2003).

II.

Enforcement and Nicor hereby stipulate and agree to the following:

A. Nicor, Inc. is a holding company whose principal subsidiary is Nicor. Nicor is a local distribution company (LDC) that distributes natural gas to more than two million residential, commercial and industrial customers in Illinois. Nicor sells at wholesale a portion of the approximately 250 Bcf of natural gas that it purchases each year. Nicor executes these wholesale transactions pursuant to an operating statement that the company has on file with the Commission pursuant to sections 284.123(e) and 284.224 of the Commission's regulations. The operating statement describes how Nicor provides interstate firm and interruptible transportation and storage services, and interstate parking and lending services, which it collectively refers to as hub services, among other interstate transportation services. Nicor operates seven natural gas storage facilities that have an aggregate working capacity of approximately 150 Bcf and an aggregate maximum daily deliverability of approximately 2.6 Bcf. Nicor Enerchange, an agent of Nicor, is a natural gas marketer, engaged primarily in the wholesale trading business. The wholesale trading activities of Nicor Enerchange occur in Wisconsin, Illinois and Indiana, and in production areas of the United States. Nicor Enerchange's trading activities averaged approximately 95,000 MMBtu/d in 2001, 175,000 MMBtu/d in 2002 and 300,000 MMBtu/d in 2003.

B. Hub Administration, a business unit of Nicor Enerchange, administers the storage and transportation services, including parking and lending services, that Nicor provides through its Chicago Hub pursuant to Nicor's operating statement and a state-approved rate schedule.

1. Storage traders in Hub Administration sell parking and lending

services on Nicor's system. The Hub Administration Storage Trader (referred to in section II.D below) provided the following information in this paragraph to Enforcement: Parking and lending services permit buyers, among other things, to hedge risk associated with purchasing gas in future months. For example, a buyer could purchase gas for delivery in the prompt month, *e.g.*, September, store that gas in Chicago Hub, and withdraw that gas during a future month, *e.g.*, December. If the current spread in commodity price between September and December exceeds the cost of storage, a buyer might advantageously purchase storage capacity from Hub Administration. Conversely, a customer could borrow gas from Hub Administration, and agree to redeliver a like amount of gas to Hub Administration in a subsequent month. In this example, a wholesale marketer could borrow gas from Hub Administration when prices may be high relative to prices in a future month, *e.g.*, March, and subsequently return that gas when prices are expected to be lower, *e.g.*, June. If the current spread in commodity price between March and June exceeds the transaction cost, a customer might advantageously borrow gas from Hub Administration. The primary indicia that determine whether these storage services are advantageous to a customer are the NYMEX gas futures contract price, the basis component of the price, *i.e.*, the spread in price between the relevant months, and the storage or transaction cost. Storage traders have substantial discretion with respect to the pricing of Hub Administration parking and lending services.

2. Storage traders also sell transportation services. These transportation services generally involved Hub Administration taking receipt of natural gas from an interstate pipeline and delivering it to another interstate pipeline. Eight interstate pipelines have interconnects with Nicor's storage facilities: Alliance Pipeline, L.P.; ANR Pipeline Company; Horizon Pipeline Company, L.L.C.; Midwestern Gas Transmission Company; Natural Gas Pipe Line Company of America; Northern Border Pipeline Company; Northern Natural Gas Company; and Panhandle Eastern Pipe Line Company. Hub Administration provides transportation services by physical delivery and by displacement.

C. Every Thursday at 10:30 a.m. Eastern Time, the United States Department of Energy's Energy Information Administration (EIA) releases its Weekly Natural Gas Storage report, which tracks natural gas inventories in underground storage facilities in the United States. The weekly inventory levels are estimates of the aggregate volumes of working gas as of the week ending the Friday immediately preceding the Thursday release of the report. Changes in reported inventory levels reflect all events affecting working gas in storage, including injections, withdrawals, and reclassifications between base and working gas. EIA's Thursday release of its storage inventory report has an immediate impact on the price of NYMEX futures gas contracts as indicated by the shift in price that is usually observed immediately following EIA's 10:30 a.m. release of its report on Thursdays. The release of the EIA report also affects other natural gas commodity price, transportation, transactional, market and trading behavior because of the important role the EIA report plays in the assessment of commodity inventories. EIA's weekly storage inventory report is a fundamental factor in Hub Administration's sale of storage services because movements in commodity and futures contract prices impact the spread value of natural gas and hence the market value of Hub Administration's storage. Nicor Enerchange prepares weekly forecasts of the weekly EIA storage inventory report, among other reasons, to help storage traders determine whether there will be demand for Hub Administration services and, if so, what discounts the market may demand.

D. Beginning in the late summer of 2002, and ending in August 2003 (the relevant time period), a Hub Administration Storage Trader provided Nicor's weekly net injections into storage or withdrawals from storage on a regular basis to a natural gas trader (Dominion Gas Trader) employed by a customer of Hub Administration, Virginia Power Energy Marketing, a division of Dominion Energy Clearinghouse, which in turn is owned by Dominion Resources, Inc. (Dominion). The Hub Administration Storage Trader typically communicated the amount of gas injected or withdrawn on Nicor's system in the previous week, in Bcf, before the Thursday release by EIA of its weekly storage report. The number that the Hub Administration Storage Trader communicated to the Dominion Gas Trader was the same number that Nicor communicated weekly to the EIA on the EIA's Form 912. Dominion is one of Nicor Enerchange's largest customers. By providing Nicor's weekly non-public storage inventory information to the Dominion Gas Trader, Nicor provided the Dominion Gas Trader an advantage with respect to the ability of the Dominion Gas Trader to schedule services on Nicor's system and to price and time the potential purchase of storage and transportation services from Nicor.

E. During the relevant time period, no other agent or employee of Nicor provided Nicor's net injection and withdrawal storage information to any other customer of Nicor, even though, according to the Hub Administration Storage Trader, at least one customer requested it. Nicor conducted its own internal investigation and disputes that any customer who requested the storage information was denied it.

F. During the relevant time period, the Dominion Gas Trader regularly provided the Hub Administration Storage Trader the weekly net injections into storage or withdrawals from storage, *i.e.*, the weekly non-public storage inventory number, of Dominion Transmission, Inc. (DTI). Also during this time period, the Dominion Gas Trader occasionally provided the Hub Administration Storage Trader the daily non-public storage inventory number of Columbia Gas Transmission Corporation. (Columbia).

G. The Hub Administration Storage Trader did not communicate the DTI or Columbia storage information to anyone outside Nicor. He communicated this information to other storage traders in Hub Administration.

H. Nicor's corporate policies prohibit the disclosure of confidential information to parties outside Nicor, although no specific policy stated that Nicor's storage inventory information was confidential. Nicor's weekly net injections into storage or withdrawals from storage should have been covered by Nicor's confidentiality policy.

I. In 2003, Nicor realized $6,697,903 in revenue from FERC jurisdictional transactions. Of this amount, $2,190,863 is attributable to the sales activities of the Hub Administration Storage Trader. There is no evidence that Nicor profited either directly or indirectly by providing its storage information to the Dominion Gas Trader or by receiving the Dominion storage information.

J. Over the course of the last several months, Nicor has been cooperative with Enforcement's efforts to complete its investigation and resolve this matter in an expeditious manner.

III.

Nicor admits that by providing its weekly non-public storage inventory information to a major customer on a regular basis for an extended period of time it provided an undue preference in violation of sections 284.9(b) and 284.7(b)(1) of the Commission's regulations, 18 C.F.R. §§ 284.9(b) and 284.7(b)(1) (2003).

IV.

A. Within thirty days after the date that the Commission approves the Agreement without modification, and that approval becomes final, Nicor shall pay to the United States Treasury a civil penalty in the sum of $600,000 by wire transfer or by delivering a certified check made payable to Federal Energy Regulatory Commission, Lockbox 93938, Chicago, Illinois 60673. Nicor represents that the payment of this civil penalty and the conduct that is the subject of this Agreement will in no way impact the rates of, or services rendered to, Nicor's customers.

B. Nicor shall comply with the prospective measures designed to deter future similar violations that are set forth in Appendix A.

C. Within six months after the date that the Commission approves the Agreement without modification, and that approval becomes final, Nicor shall file with the Commission in the docket in which the Commission approves the Agreement, a report that states in detail the steps Nicor has taken to implement the prospective measures set forth in Appendix A. The Commission staff reserves its right to audit and investigate Nicor's compliance with the prospective measures set forth in Appendix A, including the matter of disclosure by employees of Nicor's storage inventory information.

V.

A. Enforcement agrees that the Agreement is a full and complete settlement of all administrative or civil claims the Commission has or may have against Nicor, Inc., its subsidiaries and affiliates, or any of their officers, directors or employees, either before the Commission or in the courts, relating only to the facts recited in Section II of the Agreement.

B. Enforcement and Nicor agree that they enter into the Agreement voluntarily and that other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of Enforcement or Nicor has been made to induce any other party to enter into the Agreement.

C. If the Commission does not issue an order which becomes final approving the Agreement, without modification, the Agreement shall be null and void, unless otherwise agreed in writing by Enforcement and Nicor.

D. The undersigned representative of Nicor affirms that he or she has read the Agreement, that all of the matters set forth in the Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Agreement is entered into by Enforcement in express reliance on those representations.

E. The Agreement binds Nicor and its agents, successors and assigns.

F. In connection with the payment of the civil penalty provided for in section IV.A, Nicor agrees that the Commission's order approving the Agreement without modification shall be a final and unappealable order assessing a civil penalty under section 504 of the Natural Gas Policy Act (NGPA), 15 U.S.C. § 3414 (2000). With regard to such civil penalty, Nicor waives: a Notice of Proposed Penalty under section 504(b)(6)(E) of the NGPA, 15 U.S.C.A. § 3414(b)(6)(E); hearings pursuant to the applicable provisions of the NGPA; the filing of proposed findings of fact and conclusions of law; an Initial Decision by an Administrative Law judge pursuant to the Commission's Rules of Practice and Procedure; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.

G. Nicor waives judicial review by any court of any Commission order approving the Agreement without modification.

H. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity, and accepts the Agreement on the entity's behalf.

I. Appendix A, referenced in section IV.B of the Agreement and attached hereto, is expressly made part of, and incorporated in, the Agreement.

Agreed to and accepted:

Robert E. Pease 7/19/04

Robert E. Pease,
Director, Enforcement Division

July 1 2004

Paul C. Gracey
Vice President, General Counsel
and Secretary
Northern Illinois Gas Company

APPENDIX A

COMPLIANCE PLAN FOR NICOR GAS

This Compliance Plan responds to specific issues and recommendations arising from a non-public investigation conducted by the Division of Enforcement, Office of Market Oversight and Investigations (OMOI).

Northern Illinois Gas Company (d/b/a Nicor Gas) (hereinafter referred to as "Nicor") will implement the following policies and procedures to resolve issues that have arisen regarding compliance with the Federal Energy Regulatory Commission's (Commission's) applicable statutes, rules, and regulations.

This Compliance Plan applies to Nicor and to any successor companies owned or controlled by Nicor and will remain in effect for two years following the Effective Date of the Stipulation and Consent Agreement in Docket Nos. IN04-02-000. (Agreement). This Compliance Plan is a part of the Commission's Order approving the Agreement.

Nicor may request that the Commission modify this Compliance Plan during its two-year term. Nothing in this Compliance Plan relieves Nicor from complying with the Commission's rules and regulations currently in effect and as they may be amended.

I. Chief Compliance Officer

Nicor will designate an individual whose title will be "Chief Compliance Officer" (Compliance Officer) and who will report to Nicor's General Counsel. This Compliance Officer and his or her staff, as appropriate, will be the contact for Commission staff for Nicor's FERC compliance issues and will be responsible for implementing this Compliance Plan.

II. Training

Outside counsel for Nicor will conduct an annual, onsite training session to provide guidance on compliance with FERC rules, regulations, and policies to all Nicor employees involved in selling, marketing, trading, or providing interstate transportation or storage services subject to the Commission's jurisdiction. Employee attendance at the training sessions will be mandatory. The training sessions will focus on compliance with FERC's undue discrimination requirements, but will also focus on Nicor's obligations and responsibilities as a holder of a blanket Part 284.224 limited jurisdiction certificate.

III. Maintaining Confidentiality of Nicor Storage Inventory Information

Nicor will modify its corporate policies to specifically prohibit the disclosure of Nicor's storage inventory information to parties outside of Nicor. All employees will be notified of this change and the modification will be emphasized in the training sessions referenced in Section II, above.

IV. Disciplinary Measures

Nicor does not condone or tolerate violations of the Commission's regulations. Employees who fail to comply with FERC's rules, or any procedures or policies adopted as part of the Stipulation and Consent Agreement, will be subject to disciplinary actions up to, and including, termination.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Columbia Gas Transmission Corp. Docket No. IN04-2-000

STIPULATION AND CONSENT AGREEMENT

I. INTRODUCTION

The Enforcement Division of the Office of Market Oversight and Investigations (Enforcement) and Columbia Gas Transmission Corporation (Columbia) enter into this Stipulation and Consent Agreement (Agreement) to resolve all issues that are specifically addressed herein and all issues arising from all facts regarding Columbia provided to date to Enforcement in a non-public, formal investigation (investigation) that Enforcement conducted in Docket No. IN04-2-000, pursuant to Part 1b of the Commission's regulations, 18 C.F.R. Part 1b (2003).

II. STIPULATION

Enforcement and Columbia hereby stipulate and agree to the following:

A. Columbia, a Delaware corporation, is a wholly-owned subsidiary of the Columbia Energy Group, which in turn is a wholly-owned subsidiary of NiSource, Inc. Columbia is a large natural gas pipeline company that operates an extensive reticulated pipeline system that includes 12,750 miles of pipeline and 90 compressor stations. Columbia delivers an average of 3 Bcf per day of natural gas, with peak day deliverability of 8.5 Bcf, to 72 local distribution companies in 11 states. Columbia also owns and operates 39 underground storage fields in New York, Ohio, Pennsylvania and West Virginia that provide 246 Bcf of working capacity. Columbia operates approximately 7.5 percent of total working gas storage capacity in the United States. Storage contributes approximately 52 percent of Columbia's peak day deliverability.

B. Every Thursday at 10:30 a.m. Eastern Time, the United States Department of Energy's Energy Information Agency (EIA) releases its Weekly Natural Gas Storage Report. The report sets forth the aggregate volumes of working natural gas inventories in underground storage facilities in the United States on an aggregate geographic basis as of the Friday immediately preceding the Thursday release of the report. According to EIA's Internet web site, changes in reported inventory levels reflect all events affecting working gas in storage, including injections, withdrawals and reclassifications between base and working gas.

C. Columbia does not actively trade NYMEX natural gas futures contracts and does not actively buy and sell natural gas on behalf of customers.

D. Columbia does not post on its Internet web site the information it provides to EIA concerning storage inventory information. Columbia does not post information concerning injection or withdrawal activity because of the no-notice nature of its firm storage service. Columbia provides its firm storage service on a no-notice basis, and Columbia's firm storage customers are not required to nominate in advance storage injections or withdrawals. Customers nominate flowing supply into the system and Columbia confirms receipts and deliveries to the customer. At the end of the gas day, any difference between actual receipts and actual deliveries is deemed either a storage injection or withdrawal. Columbia posts its total storage design capacity. Columbia's total working gas capacity can be inferred by adding the aggregate capacity contracted to all customers, as reflected on the posted Index of Customers, to any unsubscribed capacity that is posted.

E. Columbia employs customer service representatives who respond to questions regarding, among other things, how to nominate on Columbia's Internet web site, the status of customer nominations, whether and how customers can nominate capacity to alternate points, billing matters relating to rates, volumes and charges, pipeline restrictions, pipeline construction, penalties, customer-specific storage accounts and storage ratchets. Columbia's customer service representatives also aggregate nominations at points that Columbia confirms with interconnecting pipelines, allocate the capacity and confirm with customers those allocations. Columbia has five lead customer service representatives who, in addition to undertaking the duties described in this paragraph, supervise three or four customer service representatives each, answer questions that these subordinate representatives refer to them, and perform occasional special assignments.

F. One lead customer service representative (Columbia Lead Customer Rep) provided Columbia's daily injection and withdrawal activity, expressed as a change from the previous day's inventory level (Columbia's non-public storage inventory information), to the following individuals: (1) the Director of Natural Gas Trading, Alliance for Cooperative Energy Services Power Marketing LLC, also known as ACES Power Marketing (APM); (2) the President of Interstate Gas Supply, Inc. (IGS); and (3) the Director, Asset Management and Marketing, who later became Director, Marketing, at Sequent Energy Management (Sequent) (collectively, Recipients). The Columbia Lead Customer Rep began providing Columbia's non-public storage inventory information to the Director of Natural Gas Trading for APM prior to 2001, including time when he was not employed by APM, to the President of IGS beginning in 2001 and to the Director at Sequent beginning in 2001 or 2002. The Columbia Lead Customer Rep stopped providing Columbia's non-public storage inventory information to the Recipients on or about October 26, 2003. Columbia's non-public storage inventory information that the Columbia Lead Customer Rep provided to the Recipients was not available to the public at the time she provided it. Based on the testimony of the Columbia Lead Customer Service Rep, she obtained Columbia's non-public storage inventory information through her desktop computer. She had a right to access this information as a customer service representative. She also obtained this information at Columbia's daily morning operations meetings. An additional Columbia customer service representative occasionally provided Columbia's non-public storage inventory information to two of the Recipients. In 2003, Columbia collected revenue of $1,032,664 either from APM or pertaining to transactions in which APM acted as agent for another shipper, $30,246,351 either from IGS or pertaining to transactions in which IGS acted as agent for another shipper, and $16,067,192 either from Sequent or pertaining to transactions in which Sequent acted as agent for another shipper.

G. Based on the testimony of the Columbia Lead Customer Rep and e-mails Enforcement reviewed, the Columbia Lead Customer Rep (1) communicated Columbia's non-public storage inventory information primarily by telephone to the Recipients until June 2002 and thereafter primarily by e-mail, (2) communicated Columbia's non-public storage inventory information for every day from June 1, 2002 through October 26, 2003, and (3) usually provided this information for the previous week prior to EIA's Thursday 10:30 a.m. release of its weekly report and prior to the Wednesday afternoon release by the America Gas Association (AGA) of its weekly storage report during the time prior to June 2002 when the AGA released a similar report. However, the activities recounted in this paragraph did not always occur due to the Columbia Lead Customer Rep's absences from her workplace or other reasons. Based on Enforcement's review of e-mails that the Columbia Lead Customer Rep sent to the Recipients, in the first ten months of 2003, the Columbia Lead Customer Rep sent 33 e-mails to the Recipients containing Columbia's non-public storage inventory information.

H. Columbia has a written policy against providing customers non-public information. No manager or other person in authority at Columbia ever approved the disclosures or told the Columbia Lead Customer Service Rep that she could provide the non-public storage inventory information, nor did any manager or person in authority tell her that she could not provide the information. The Columbia Lead Customer Rep did not receive an emolument from Columbia or, to the best of Columbia's knowledge, from anyone because of her communication of Columbia's non-public storage inventory information to the Recipients. Columbia did not profit or realize any gain, directly or indirectly, from the Columbia Lead Customer Rep's communication of Columbia's non-public storage inventory information to the Recipients.

I. Based on a review of voice recordings between the Columbia Lead Customer Rep and Recipients, the Columbia Lead Customer Rep knew or should have known that the Recipients would be in a position to use the non-public storage inventory information she was providing them to help them better understand operational activity on Columbia's system or price-related commodity activity.

J. Inaccuracies in data responses attested to by the Columbia Lead Customer Rep hindered Enforcement's investigation of Columbia's activities. In recent months, Columbia has cooperated with Enforcement's efforts to resolve this matter in an expeditious manner.

III. COLUMBIA'S POSITION

With respect to the facts recited in Section II of the Agreement and all issues arising from all facts regarding Columbia provided to Enforcement to date in the investigation, Columbia neither admits nor denies that it violated any provision of the Natural Gas Act, 15 U.S.C. § 717 *et seq.* (2000), the Natural Gas Policy Act of 1978, 15 U.S.C. § 3301 *et al.* (2000), or any provisions of the Commission's regulations.

IV. PENALTIES AND REMEDIES

For the purpose of settling any and all civil and administrative disputes, and in lieu of any other penalty or remedy that the Commission might assess or determine concerning any of the facts recited in Section II of the Agreement or all issues arising from any of the facts regarding Columbia provided to date to Enforcement in the investigation, Columbia agrees as follows:

A. Within thirty days after the date that the Commission order approving the Agreement, without modification, becomes final and non-appealable, Columbia shall pay to the United States Treasury a civil penalty in the sum of $2,500,000 by wire transfer or by delivering a certified check made payable to Federal Energy Regulatory Commission, Lockbox 93938, Chicago, Illinois 60673.

B. Within thirty days after the date that the Commission order approving the Agreement, without modification, becomes final and non-appealable, Columbia shall post each Monday, unless Monday is a holiday, in which case Columbia shall post the following day, on its Internet web site, no later than 5:00 p.m. Eastern Time, the net aggregate storage inventory information that it provides to EIA on that day.

C. Within thirty days after the date that the Commission order approving the Agreement, without modification, becomes final and non-appealable, Columbia shall commence automatically recording, and continuously record for a period of one year, all telephone conversations between and among Columbia's customer service representatives, Columbia's lead customer service representatives, and the managers of Columbia's customer service representatives; and Columbia's customers. Columbia shall maintain all recordings created pursuant to this paragraph for a period of two years from the date when recording commences, after which time period Columbia may destroy the recordings. Prior to the allowed time of their destruction, Columbia shall make these recordings available to the Commission or its staff upon request. Enforcement's intent is not to access the recordings in whole or part without a specific Enforcement purpose.

V. TERMS

A. Enforcement agrees that the Agreement is a full and complete settlement of all administrative or civil claims the Commission has or may have against Columbia, its subsidiaries and affiliates, or any of their officers, directors or employees, either before the Commission or in the courts, relating to the facts recited in Section II of the Agreement and all issues arising from all the facts regarding Columbia provided to date to Enforcement in the investigation.

B. Enforcement and Columbia agree that they enter into the Agreement voluntarily and that, other than the recitations set forth herein, no tender, offer or promise of any kind by any member, employee, officer, director, agent or representative of Enforcement or Columbia has been made to induce any other party to enter into the Agreement.

C. Unless the Commission issues an order approving the Agreement, without modification, the Agreement shall be null and void unless Enforcement and Columbia otherwise agree in writing.

D. As of the date the Commission issues an order approving the Agreement, without modification, the Agreement shall resolve as to Columbia, its agents, officers, directors and employees, both past and present, and the Commission shall release and be forever barred from bringing against Columbia, its agents, officers, directors or employees, both past and present, any and all administrative or civil claims or matters asserting any and all claims, liabilities, causes of action, demands, rights, alleged entitlements, obligations, known or unknown, asserted or not asserted, vested or unvested, without limitation, arising out of, related to, or connected with the facts set forth in the Agreement and all issues arising from all facts regarding Columbia provided to date to Enforcement in the investigation.

E. Upon issuance of a Commission order approving the Agreement, without modification, all tolling agreements shall terminate and record preservation requirements imposed by Enforcement in this matter shall terminate.

F. With respect to the representations of the parties set forth herein, the undersigned representatives of Enforcement and Columbia, respectively, represent and warrant that they have read them and know the contents thereof, that all of the statements and matters set forth in this Agreement are true and correct to the best of their knowledge, information and belief, and that they understand that each has entered into this Agreement in express reliance on these representations and statements.

G. The Agreement binds Columbia and its agents, successors and assigns.

H. In connection with the payment of the civil penalty provided for herein, Columbia agrees that the Commission's order approving the Agreement without modification shall be a final and non-appealable order assessing a civil penalty under section 504 of the Natural Gas Policy Act (NGPA), 15 U.S.C. § 3414 (2000). With regard to such civil penalty, Columbia waives: a Notice of Proposed Penalty under section 504(b)(6)(E) of the NGPA, 15 U.S.C. § 3414(b)(6)(E); hearings pursuant to the applicable provisions of the NGPA; the filing of proposed findings of fact and conclusions of law; an Initial Decision by an Administrative Law Judge pursuant to the Commission's Rules of Practice and Procedure; post-hearing procedures pursuant to the Commission's Rules of Practice and Procedure; and judicial review by any court.

I. Columbia waives judicial review by any court of any Commission order approving the Agreement, without modification.

J. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity, and accepts the Agreement on the entity's behalf.

K. The Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute one document.

Agreed to and accepted:

Robert E. Pease
Deputy Director, Investigations and Enforcement

7/19/04
Date

Glen L. Kettering
President, Pipelines
Columbia Gas Transmission Corporation

7-13-04
Date