

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Coral Energy Resources, L.P.

Docket No. IN05-5-000

ORDER APPROVING STIPULATION AND CONSENT AGREEMENT

(Issued March 3, 2005)

1. The Commission approves the attached Stipulation and Consent Agreement (Agreement) between the Division of Enforcement, Office of Market Oversight and Investigations (OMOI) and Coral Energy Resources, L.P. (Coral).
2. This order resolves all outstanding issues of fact and law with respect to Coral's November 8, 2002 response to Staff's data requests in *Fact Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, and Coral's June 13, 2003 response to the Commission's April 30, 2003 Order in *Coral Energy Resources, L.P.*, Docket No. PA03-3-000 (collectively "Coral's Responses").

**I. Background**

3. On February 13, 2002, the Commission directed Staff to commence a fact-finding investigation in Docket No. PA02-2-000 into whether any entity manipulated short-term prices for electric energy or natural gas in the West or otherwise exercised undue influence over these prices between January 1, 2000, and June 21, 2001. As part of this investigation, Staff conducted an investigation of companies engaged in natural gas trading to determine whether any of those companies had reported false information to the reporting firms for purposes of manipulating gas markets.
4. On October 22, 2002, Staff served data requests on a number of industry participants, including Coral. Those requests were designed to elicit information regarding the participants' reporting of gas prices and transactions to the reporting firms.

5. Coral conducted an internal investigation to enable the company to respond to the data requests. On November 8, 2002, Coral timely responded to Staff's data requests, stating among other things, that "[o]n the basis of the investigation that Coral has conducted in order to respond to the Commission staff's data request, Coral believes that the information it provided to the Trade Press [reporting firms] accurately reflected then current market conditions."

6. On April 30, 2003, as a follow-up, the Commission ordered a number of industry participants, including Coral, to submit information regarding their internal procedures for reporting trade data. Coral responded as follows:

On October 22, 2002, the Commission Staff served Coral with certain data requests concerning Coral's practices in reporting gas prices to the trade press. In order to respond to the data requests, Coral conducted an investigation respecting gas price reporting by Coral's traders. The results of Coral's investigation are detailed in Coral's November 8, 2002 response to the Staff's data requests. As discussed in Coral's response, Coral did not find that any of its employees participated in the manipulation or attempted manipulation of the published gas price indices. Accordingly, based upon its investigation, Coral did not find it necessary to discipline any of its employees respecting these matters.

7. Based upon the foregoing responses, the Commission made no further inquiries of Coral.

8. Based upon information provided by the Commodity Futures Trading Commission (CFTC), OMOI opened an investigation on March 18, 2004, to determine the sufficiency of Coral's Responses.

9. On July 28, 2004, the CFTC issued an Administrative Order resolving its investigation of Coral. That order contained the following findings:

[Coral's] employees knowingly delivered reports to NGI and Inside FERC, which sought information concerning [Coral's] fixed price, physical, natural gas transactions, either via facsimile, and/or via the Internet through electronic mail. [Coral] traders reported price and volume data to those reporting firms as if such information was derived from fixed price, physical, natural gas trades [Coral] had actually executed. However, [Coral] never actually executed many of the trades reported. [Coral] traders also reported executed trades with altered price and/or volume data.

[Coral] traders also failed to report some actual trades to the reporting firms. [Coral's] employees knew that the reports they delivered to these reporting firms contained false, misleading or knowingly inaccurate information.

10. During the course of its investigation, Coral has provided OMOI with additional information as requested and has met several times with OMOI. Coral has cooperated fully with OMOI in the course of its investigation.

11. Based on its investigation, OMOI has concluded that there is sufficient evidence to support the conclusion that a Coral trader was providing inaccurate information to a price reporting firm. Information about this trader providing inaccurate information to a price reporting firm was not included in Coral's Responses.

12. Although Coral does not agree that its Responses were insufficient or constituted a violation of any state or federal statute, or of any Commission rule, regulation, or order issued thereunder, Coral has acknowledged that the employee's reporting activities were inaccurate and has acknowledged the Commission's concerns concerning the failure to report this conduct to Staff and the Commission. Furthermore, Coral has implemented controls designed to address price reporting practices, and Coral agrees to continue to strengthen and improve its policies and procedures to ensure that it is conducting reporting activities in a manner consistent with the Commission's regulations and orders.

## **II. The Agreement**

13. Coral has entered into a Stipulation and Consent Agreement with OMOI that would resolve all outstanding issues of fact or law regarding Coral's Responses. The Settlement does not address or resolve issues pending in any other docketed matter.

14. In accordance with the Agreement, Coral agrees to pay \$3.5 million (\$3,500,000) to an organization providing assistance to low-income energy consumers, such organization to be agreed upon and such payment to be made within 30 days of the Effective Date. Coral's payment is not a fine or penalty, but rather a voluntary payment to facilitate settlement of disputed claims. Further, Coral agrees to implement a Task Force to develop and implement a "best in class" model for regulatory compliance. Coral will spend whatever money is necessary to enable this Task Force to complete its work and estimates that the cost will be approximately \$500,000. Coral has already implemented compliance controls and agrees to implement certain additional compliance measures. Coral further agrees that, for as long as Coral reports gas prices, it will not

modify its compliance procedures without prior notice to the Commission, and that an independent auditor will audit Coral's compliance procedures for the calendar year 2005 and submit its report to the Commission at the same time that report is submitted to Coral.

### **III. Discussion**

15. Wholesale sales of natural gas are within the exclusive jurisdiction of the Commission over trading in the wholesale gas market undertaken pursuant to a blanket marketing certificate issued by the Commission. 15 U.S.C. §§717, *et seq.* and §§3301 *et seq.*

16. The Commission finds that the Agreement provides an equitable resolution of this matter and is in the public interest.

17. The Agreement resolves all outstanding issues of fact or law regarding Coral's Responses. However, the Agreement does not address or resolve issues pending in any other docketed matter.

#### The Commission orders:

(A) The attached Stipulation and Consent Agreement is approved in its entirety without modification.

(B) The Commission's approval of the attached Stipulation and Consent Agreement does not constitute approval of, or precedent regarding, any principle or issue in this matter.

(C) The investigation in Docket No. IN05-5-000 is terminated, save for determination of compliance with this Settlement Order and Agreement. However, this order does not affect issues pending in any other docketed matter.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.