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## Energy

### **FERC Issues Show-Cause Order To Powhatan for Alleged Market Violations**

**T**he Federal Energy Regulatory Commission issued a show-cause order to Powhatan Energy Fund LLC ordering the firm to explain why it should not be found in violation of market manipulation rules.

The action escalates a market investigation case that is being hotly contested by the firm and has sparked an industry debate over FERC market enforcement actions against several companies.

The show-cause order was issued Dec. 17 (Docket No. IN15-3-000).

The order proposes fines of \$16.8 million for Powhatan, \$10 million for CU Fund, Inc. and \$1.9 million for HEEP Fund, Inc.

In addition, the order proposes that a trader, Houlian 'Alan' Chen, would be fined \$500,000 for trades executed through and on behalf of HEEP Fund, Inc. and Powhatan, and an additional \$500,000 for trades executed through and on behalf of CU Fund, Inc.

The participants have 30 days to respond.

Powhatan, a private Philadelphia hedge fund founded by Kevin and Richard Gates, has declined to settle the case and is fighting the charges.

**Reviewing Options.** "We are in the process of reviewing FERC's order to show cause," Richard Gates told Bloomberg BNA Dec. 18.

"Powhatan anticipates providing a thorough response to the commission to address the [Office of Enforcement's] allegations. We understand that it has not prejudged OE's findings and will review the entire proceedings with Powhatan and Dr. Alan Chen."

The FERC investigation concerns electricity trades in the PJM Interconnection LLC energy markets in the summer of 2010 (Docket No. IN10—5-000).

Commissioner Philip Moeller emphasized Dec. 18 that the action represents the recommendations of commission staff, which will be reviewed ultimately by the five-member commission before any fines are imposed.

The Powhatan case was launched while FERC Commissioner Norman Bay was the commission's chief enforcement officer.

Bay, who joined the commission in August, recused himself from the vote to issue the show-cause order.

The FERC Office of Enforcement issued a staff notice of alleged violations Aug. 5 (152 DER A-14, 8/7/14).

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*The FERC show-cause order is available at: <http://op.bna.com/der.nsf/r?Open=sbay-9rwq6s>.*