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September 18, 2007

The Honorable Joseph T. Kelliher, Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: FERC Docket Nos. EL07-56-000 and EL07-58-000

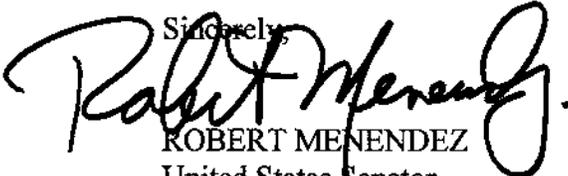
Dear Chairman Kelliher:

I write in response to your letter to me dated September 5, 2007, where you reply to my concerns about the Market Monitoring Unit (MMU) at PJM. Thank you for the brief procedural update on this case provided in your letter. However, I am concerned that you have misunderstood the importance of my request that the Federal Energy Regulatory Commission (FERC) set this docketed matter for full hearings. I am equally concerned by your suggestion that following Commission review and consideration of the September 4, 2007, reply comments that an order will be issued "in the near future" resolving the matter.

My July 10, 2007, letter requesting that FERC set this matter for full hearing was informed by the filings of the PJM Market Monitor and PJM Interconnection, LLC, indicating substantial evidence that PJM was undermining the critical work of the MMU by denying it necessary resources, censoring its reports, and transferring its responsibilities to other PJM departments. These documents also indicated the presence of possible further wrongdoing on the part of PJM. It appeared to me at the time that the nature and extent of the allegations required the convening of full hearings to investigate and determine the facts necessary to fashion a comprehensive remedy.

Since that time, the President and CEO of PJM unexpectedly retired and PJM filed with FERC a unilateral Offer of Settlement. The Offer of Settlement seeks FERC approval for the externalization of the MMU and requests that FERC *not* investigate the Market Monitor's allegations. PJM's evident desire to have FERC hastily dispense with this matter, without any evidentiary hearings, is now cause for even greater concern on my part that evidence is properly gathered and factual determinations rendered about what transpired at PJM.

It is my hope that FERC promptly set this most important matter for full hearing. I assure you that short of such announcement, my office will pursue a hearing on the matter before the U.S. Senate's Energy and Natural Resources Committee.

Sincerely,

ROBERT MENENDEZ
United States Senator