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Special Investigative Committee
PJM Board of Managers
PJM Interconnection, L.L.C.

November 7, 2007

Mr. Howard Schneider, Chairman
Board of Managers,
PJM Interconnection, LLC

Re: Report of the Special Investigative Committee Related to Certain Allegations of Dr. Joseph Bowring

Dear Howard:

As the members of the Special Investigative Committee (the "Committee") appointed by the PJM Board of Managers to investigate certain allegations made by the PJM Market Monitor, Dr. Joseph Bowring, we are pleased to submit our Report to the Board.

As you know, on April 5, 2007, during his appearance at a Technical Conference before the Federal Energy Regulatory Commission ("FERC"), Dr. Bowring asserted that management of PJM had taken steps that he believed interfered with the independence of the PJM Market Monitor and the Market Monitoring Unit within PJM. Upon learning of those allegations, the Board of Managers determined to conduct an investigation of the issues raised by Dr. Bowring. The investigation would assure that the Board was fully informed of the facts and circumstances, and could thereafter take such actions or other steps as the Board would find appropriate. Initial steps related to the investigation were taken by the Competitive Markets Committee of the Board, and shortly thereafter we were appointed to serve as a Special Investigative Committee.

The enclosed Report fully describes the efforts undertaken in the investigation, and the facts and circumstances as we have been able to determine them. We note the following with regard to the investigation and the Report:

1. The Committee has been assisted throughout by independent outside attorneys from Duane Morris, LLP. The Duane Morris team, led by Sheila Slocum Hollis, conducted interviews, obtained and reviewed documents, and assisted us throughout the process. With our involvement, the independent outside attorneys were responsible for compiling the facts, reaching conclusions based on the interviews and documents and drafting the Report. While we take complete responsibility for this Report, we express our deep appreciation for their work, their consistent and active efforts, their advice and their dedication. The detail and substance of the Report reflect the expertise and efforts of the Duane Morris team, and the investigation could not have been completed without those efforts.

2. The Committee and the Duane Morris team received complete cooperation from Dr. Bowring, and from PJM management and staff, including former PJM employees. We note with appreciation the willingness of those involved to provide documents and to appear for interviews. All of our requests for assistance, and those of Duane Morris, were addressed – as reflected in the Report, more than 15,000 pages were provided and reviewed, and the Duane Morris team received full cooperation in scheduling interviews and obtaining other information. We note in that regard that counsel for Dr. Bowring, and counsel for PJM, from both the Office of the General Counsel and outside counsel, greatly facilitated the investigation by collecting and producing the required documents and other information and informing us on related matters, when requested. We wish to thank all of those who were asked to provide information or who assisted in the effort.

3. The Report sets forth the specific issues we sought to address, the factual circumstances related to those issues as we have been able to determine them from documents and other sources, and certain conclusions we were able to reach based on those facts. We note that the FERC conducted its own inquiry in response to certain complaint proceedings filed there, and determined that there was no violation of PJM's Tariff in relation to the allegations raised. Given that the FERC has already determined that issue, we have not specifically addressed the question of Tariff violations.

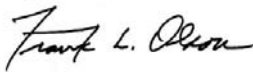
4. In light of the serious nature of the issues raised, it was necessary for the Committee and the Duane Morris team to receive information that is privileged, or that is confidential for various reasons, including information that has been referred to the FERC staff. Where necessary and appropriate, the Report or the associated appendices reference this material. The Report we are providing herewith includes limited, specific redactions of information, in order to preserve appropriate confidentiality. While protecting appropriate confidentiality, the Committee, after review and following consultation with PJM's General Counsel, recommends that the Board permit inclusion of certain, but limited attorney-client communications and work product in the Report to be made public.

The Committee suggests the Board review and consider the Report. Based on our investigation, we do not recommend to the Board that it take any specific steps at this time. The Committee believes that continued involvement and oversight by the Board with regard to market monitoring, and the relationship of the Market Monitor with PJM staff, management and stakeholders, are necessary issues to identify and resolve. The Board's involvement and oversight of these issues must respect the proper balance between the independence and accountability of the market monitoring function. The Committee expects that this balance will be clarified in the pending docket before the FERC. Given the importance of the PJM Markets, and their continuing evolution in serving the needs of our stakeholders, differences of professional opinion and position among staff, the Market Monitor, stakeholders and regulatory bodies will continue to arise. We believe the PJM Board must remain fully informed and prepared to address those issues. We hope our Report will help serve in that effort.

Given that FERC has resolved the proceedings before it regarding the allegations of Dr. Bowring, there is no longer a need to file this Report with the Commission. However, we are certainly aware that the issues raised by Dr. Bowring, and the results of our investigation, are of interest to the members and stakeholders of PJM. We suggest that the Board direct PJM management to post a copy of the Report and its appendices on the PJM website so as to allow PJM's members and stakeholders, and other interested persons, to review the Report and the detail of our investigation provided therein.

In closing, we again emphasize our appreciation to all who assisted our efforts. Of course, should you or the members of the Board have any questions, we will be delighted to respond.

Respectfully yours,



Frank L. Olson,
Chair



John McNeely Foster,
Member



William R. Mayben,
Member

Enc: Report of the Special Investigative Committee

cc: The Members of the Board of Managers
Sheila Slocum Hollis, Esq.
Vincent Duane, Esq.
Robert Muse, Esq.