



Organization of PJM States, Inc. (OPSI)

62 N. Chapel Street, Suite 203, Newark, DE 19711 • Tel: 302- 266-0914 • www.opsi.us

Commissioner Lula Ford (Illinois Commerce Commission) - **President**

Chairman Douglas Nazarian (Maryland Public Service Commission) - **Vice President**

Commissioner Sam J. Ervin, IV (North Carolina Utilities Commission) - **Secretary**

Commissioner Dallas Winslow (Delaware Public Service Commission) - **Treasurer**

Members:

Delaware Public Service Commission • District of Columbia Public Service Commission • Illinois Commerce Commission
Indiana Utility Regulatory Commission • Kentucky Public Service Commission • Maryland Public Service Commission
Michigan Public Service Commission • New Jersey Board of Public Utilities • North Carolina Utilities Commission
Public Utilities Commission of Ohio • Pennsylvania Public Utility Commission • Tennessee Regulatory Authority
Virginia State Corporation Commission • Public Service Commission of West Virginia.

November 14, 2008

Howard Schneider, Esq.
Chairman, Board of Managers
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403

Re: Credit Policies

Dear Mr. Schneider:

The Organization of PJM States, Inc. (OPSI), wish to express our deep concern about recent defaults in the PJM's facilitated markets and strongly urge the PJM to immediately adopt more stringent credit policies in an effort to reduce the number of defaults and to limit the attendant exposure that are ultimately borne by our citizens. The defaults of PowerEdge (\$52 million) and Lehman Brothers (perhaps as much as \$16.55 million) make it imperative that corrective action be taken immediately. OPSI has confidence in the PJM management and staff to implement the necessary changes in a manner that will protect the financial integrity of the market, preserve needed liquidity, and to do so in a timely manner.

OPSI is aware that an independent consultant, retained by the PJM, made a series of recommendations to effectuate a more stringent credit policy. OPSI is also aware that the PJM management and staff, despite a concerted effort, have thus far been unable to persuade sufficient numbers of the membership of the urgency and importance of adopting more rigorous credit practices. OPSI is, however, gratified that the votes taken last week by the membership of the Credit Risk Management Steering Committee (CRMSC) indicated overwhelming support for changes in credit practices but, perhaps the most important proposal, did not achieve the required super majority. OPSI believes that the PJM Board can take the significant support garnered in the CRMSC as sufficient warrant for an immediate filing – perhaps an emergency filing - before the Federal Energy Regulatory Commission (FERC).

Because of the importance to state commissions and the citizens of our states, as well as the viability of the PJM, OPSI pledges its support for the PJM's efforts to implement these needed protections. In this regard, please let us know what OPSI can do to assist PJM in its efforts to develop a consensus among its membership and to obtain the approval of the FERC for necessary tariff changes.

We appreciate the PJM Board of Managers' cooperation in this matter and look forward to working with you and your colleagues on this and other important issues. For the purpose of coordination on this issue, please feel free to contact Raj Barua (OPSI's Executive Director).

Sincerely,

/s/ Dallas Winslow

Commissioner Dallas Winslow
Delaware Public Service Commission

/s/ Gregory Server

Commissioner Gregory Server
Indiana Utility Regulatory Commission

/s/ David Armstrong

Chairman David Armstrong
Kentucky Public Service Commission

/s/ Paul Centolella

Commissioner Paul Centolella
Public Utilities Commission of Ohio

/s/ Steven Transeth

Commissioner Steven Transeth
Michigan Public Service Commission

/s/ Jon McKinney

Commissioner Jon McKinney
Public Service Commission of West Virginia

/s/ Sam J. Ervin, IV

Commissioner Sam J. Ervin, IV
North Carolina Utilities Commission

/s/ Tyrone Christy

Vice Chairman Tyrone Christy
Pennsylvania Public Utility Commission

cc: (via email)

PJM Board of Managers
Terry Boston, CEO & President, PJM
Suzanne Daugherty, VP, CFO & Treasurer, PJM
Bill Whitehead, VP, State Govt. Policy, PJM