

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

January 27, 2006

In Reply Refer To:
Docket Nos. EL03-236-006
and EL04-121-000
EL04-121-001
EL04-121-002
(consolidated)

Attention:
Barry S. Spector, Esq.
Carrie L. Bumgarner, Esq.
Wright & Talisman, P.C.
1200 G Street, N.W.
Suite 600
Washington, D.C. 20005

Dear Mr. Spector and Ms. Bumgarner:

1. On November 16, 2005, on behalf of the settling parties in Docket Nos. EL03-236-006, EL04-121-000 (consolidated), you filed a settlement agreement, which included revisions to the PJM Open Access Transmission Tariff ("PJM Tariff") and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"). The revisions to the PJM Tariff and the Operating Agreement consist of modifications to PJM's existing tariff sheets. The draft language for those proposed revisions is included in Attachment A to the settlement agreement. PJM requested that the proposed revisions to PJM's tariff sheets be effective the date that the Commission approves settlement agreement. The settlement agreement addresses certain issues involving the mitigation of market power that may result from congestion in PJM's service territory, provisions for scarcity pricing, increased payments to frequently mitigated units, and competitive issues surrounding certain of PJM's internal interfaces.

2. On December 6, 2005 Commission Trial Staff filed comments in support of the settlement agreement. On December 6, 2005 Coral Power, L.L.C (Coral Power), and Williams Power Company, Inc. (Williams), filed comments on the settlement agreement. On December 16, 2005, Reply Comments on the settlement agreement were filed, separately, by the Commission Trial Staff and PJM Interconnection, L.L.C., and, jointly, by the Borough of Chambersburg, Pennsylvania, North Carolina Membership Electric

Corporation and Old Dominion Electric Cooperative. On December 20, 2005, the presiding judge certified the settlement agreement to the Commission as uncontested. The presiding judge ruled that Williams was not a party and therefore could not oppose the settlement agreement. The presiding judge also held that Coral Power supported the settlement agreement and that its comments did not raise material issues of fact.

3. The settlement agreement, including the amendments to the PJM Tariff and Operating Agreement, is in the public interest and is hereby approved and accepted for filing. The Commission's approval of the settlement agreement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. Section III-E of the Explanatory Statement included with the settlement agreement provides that the standard of review for the settlement statement is the just and reasonable standard.

4. The rate schedule designations are in compliance with *Designation of Electric Rate Schedule Sheets*, Order No. 614 (FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,096 (2000)) and are accepted for filing and made effective as set forth in the settlement agreement, *i.e.*, the date that this order issues.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties