

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

BJ Energy LLC	)	
Franklin Power LLC	)	
GLE Trading LLC	)	
Ocean Power LLC	)	
Pillar Fund LLC	)	
Complainants,	)	
	)	Docket No. EL08-__-000
v.	)	
	)	
PJM Interconnection, L.L.C.	)	
	)	
Respondent.	)	

**COMPLAINT OF BJ ENERGY LLC, FRANKLIN POWER LLC, GLE TRADING  
LLC, PILLAR FUND LLC AND POWER EDGE LLC  
AGAINST PJM INTERCONNECTION L.L.C.**

Pursuant to Sections 205, 206, 306 and 309 of the Federal Power Act, 16 U.S.C. §§ 824d, 824e, 825e and 825h, and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.206, BJ Energy LLC (“BJ Energy”), Franklin Power LLC (“Franklin Power”), GLE Trading LLC (“GLE Trading”), Ocean Power LLC (“Ocean Power”) and Pillar Fund LLC (“Pillar Fund”) (collectively, the “Tower Funds” or “Funds”) submit this Complaint against PJM Interconnection L.L.C. (“PJM”) concerning PJM’s ongoing violations of its own tariff because of (1) PJM’s refusal to return excess collateral requested by the Funds and due and payable to the Funds, and (2) PJM’s refusal to distribute certain amounts of revenue due and payable to the Tower Funds.

## **I. EXECUTIVE SUMMARY.**

1. Since January 2008, in violation of its own tariff, PJM has unlawfully withheld from the Tower Funds a sum totaling \$25,673,565.98 that rightfully belongs to the Funds: (1) revenue due and payable to the Funds; and (2) excess collateral belonging to the Funds and requested by the Funds, but which PJM has refused to refund.

2. PJM has claimed to withhold this \$25,673,565.98 from the Funds on the ground that the Funds are responsible for the default of *a separate legal entity* which is affiliated with the Funds, Power Edge LLC (“Power Edge”).

3. In an order released on March 25, 2008, the Commission specifically rejected PJM’s proposed requirement to hold affiliates responsible, because the Commission “did not find [PJM’s proposal] just and reasonable.” *Order on Tariff Revisions*, 122 FERC ¶ 61,279, at PP 56-59 (March 25, 2008).

4. Despite the Commission’s Order, PJM has refused to release the sum totaling \$25,673,565.98 that rightfully belongs to the Funds and has indicated its clear intention that it will not release such funds as required by its tariff.

## **II. BACKGROUND.**

5. BJ Energy, Franklin Power, GLE Trading, Ocean Power and Pillar Fund are each private investment companies and, together with Tower Research Capital LLC and Tower Research Capital Investments LLC, are “affiliates” as that term is defined in the PJM operating agreement. Tower Research Capital LLC manages BJ Energy and GLE Trading, and Tower Research Capital Investments LLC manages Franklin Power, Ocean Power and Pillar Fund.

6. Power Edge LLC (“Power Edge”) is an affiliate (as defined above), together with BJ Energy, Franklin Power, GLE Trading, Ocean Power, Pillar Fund, Tower Research Capital LLC and Tower Research Capital Investments LLC. Tower Research Capital LLC manages Power Edge.

7. BJ Energy, Franklin Power, Ocean Power and Power Edge have participated from time to time in PJM’s Financial Transmission Rights (“FTR”) markets, but GLE Trading and Pillar Fund have never participated in PJM’s FTR markets.

8. PJM’s tariff clearly states that, “A Market Participant may request from PJM the return of any collateral no longer required for the FTR auctions,” and that such “collateral returns *shall be made* by PJM at least once per calendar quarter, if requested by a Market Participant.” PJM Tariff, Substitute First Revised Sheet No. 523I.05b, Subsection F, “FTR Credit Collateral Returns, ” (available at [www.pjm.com/documents/downloads/agreements/tariff.pdf](http://www.pjm.com/documents/downloads/agreements/tariff.pdf)) (emphasis added).

9. In December 2007, Power Edge, which was trading in PJM’s FTR Markets, went into default. As PJM has previously conceded, Power Edge went into default because of unexpected circumstances, triggered by unexpected weather and unexpected transmission outages. *See Order on Tariff Revisions*, 122 FERC ¶ 61,279, at P 46 (March 25, 2008) (“PJM states that, due to warmer weather and an extended transmission outage, congestion along the relevant path was greater than the market and Power Edge anticipated. As a result, for the duration of the outage Power Edge now owes PJM for greater than anticipated congestion.”).

10. Since approximately mid-January 2008, in violation of its own tariff, PJM has retained and refused to distribute certain amounts of revenue due and payable to BJ Energy, Franklin Power, GLE Trading and Ocean Power.

11. On January 18, 2008, a representative of the Funds formally requested, via electronic mail, that PJM return excess collateral belonging to each of the Funds and which was held at PJM. In violation of its tariff, PJM has refused to return this excess collateral to the Funds. *See* Paragraphs 18–22 below.

12. On January 22, 2008, Vincent P. Duane, General Counsel for PJM, sent an e-mail message to outside counsel for the Funds, stating that, with respect to “revenues that would otherwise be credited to the accounts of the various Power Edge affiliates, PJM will, for the present time, withhold disbursement of these funds.” Mr. Duane also stated that, “PJM does not intend to return, for the present time, any posted collateral that may be requested by Power Edge or any of its affiliates.” Exhibit A at 1 (January 22, 2008 e-mail from Vincent P. Duane to Stephen Palmer).

13. On March 25, 2008, the Commission specifically rejected PJM’s request for authority to hold affiliates responsible for the default of a related affiliate. *Order on Tariff Revisions*, 122 FERC ¶ 61,279, at P 58 (March 25, 2008) (“We find . . . that it is not just and reasonable to adopt a provision that will address only a subset of the entities likely to face the credit risks presented, and that discriminates against certain companies based on their corporate form.”).

14. As a result of the Commission’s Order, PJM has no grounds for continuing to improperly withhold the monies from the Tower Funds. In fact, PJM *never*

had any ground to withhold the Funds' excess collateral, because even PJM's (now-rejected) proposal to hold affiliates responsible for a related affiliate's default was retroactive to January 19, 2008—one day *after* the Funds had requested their excess collateral be returned. FERC Docket No. ER08-455-000, "PJM Interconnection, LLC submits a change to the default allocation provisions of the PJM Operating Agreement under ER08-455," (January 18, 2008) at 23 ("PJM asks that the enclosed Operating Agreement revisions be made effective one day after the submission of this filing, i.e., on January 19, 2008, and therefore, this filing seeks only prospective changes to PJM's default allocation rules.").

15. On March 26, 2008, a representative of the Funds sent a letter to the General Counsel of PJM, demanding that the Funds' revenues and excess collateral being held by PJM be returned. *See* Exhibit B (March 26, 2008 letter from Sandy Choi to Vincent P. Duane).

16. On March 27, 2008, Paula DuPont-Kidd, who was identified as a spokesman for PJM, was quoted as saying that, despite the Commission's Order, PJM "will not be releasing the [collateral and revenue] money" to the Tower Funds. *See* Exhibit C at 1, 10 (*Megawatt Daily*, March 27, 2008).

17. On March 27, 2008, the General Counsel for PJM informed the Funds that, despite the Commission's Order, "PJM does not intend to disburse any of the [withheld collateral and revenue] funds" to the Tower Funds. Exhibit D at 1 (March 27, 2008 Letter from Vincent P. Duane, General Counsel of PJM, to Sandy Choi).

### **III. THE CONTINUING FAILURE OF PJM TO RETURN THE FUNDS' EXCESS COLLATERAL.**

18. On January 18, 2008, a representative of BJ Energy formally requested via electronic mail that PJM return \$1,850,000 of BJ Energy's excess collateral held by PJM. Exhibit E at 1. On January 22, 2008, a representative of BJ Energy sent representatives of PJM an e-mail regarding BJ Energy's "request [for] a collateral return of \$1.85 [million]" of excess collateral at PJM. Exhibit F at 2. Rather than comply with the request, Jay Niemeyer of PJM responded, stating: "I've been advised to refer you to your representatives at Alston [& Bird] who have had conversations with PJM on this issue." *Id.* at 1.

19. On January 18, 2008, a representative of Franklin Power formally requested via electronic mail that PJM return \$587,000 of Franklin Power's excess collateral held by PJM. Exhibit G at 1. On January 22, 2008, a representative of Franklin Power sent representatives of PJM an e-mail regarding Franklin Power's "request to return \$587,000 of FTR [excess] collateral at PJM." Exhibit H at 1. Rather than comply with the request, Jay Niemeyer of PJM responded, stating: "I've been advised to refer you to your representatives at Alston [& Bird] who have had conversations with PJM on this issue." *Id.*

20. On January 18, 2008, a representative of GLE Trading formally requested via electronic mail that PJM return \$1,370,000 of GLE Trading's excess collateral held by PJM. Exhibit I at 1. On January 22, 2008, a representative of GLE Trading sent representatives of PJM an e-mail regarding GLE Trading's "request [for PJM to] return \$1,370,000 of [GLE Trading's excess] collateral at PJM." Exhibit J at 1. Rather than

comply with the request, Jay Niemeyer of PJM responded, stating: “I’ve been advised to refer you to your representatives at Alston [& Bird] who have had conversations with PJM on this issue.” *Id.*

21. On January 18, 2008, a representative of Ocean Power formally requested via electronic mail that PJM return \$3,950,000 of Ocean Power’s excess collateral held by PJM. Exhibit K at 1. On January 22, 2008, a representative of Ocean Power sent representatives of PJM an e-mail regarding “Ocean Power’s request to [receive] \$3.95 [million] of [its excess] collateral.” Exhibit L at 1. Rather than comply with the request, Jay Niemeyer of PJM responded, stating: “I’ve been advised to refer you to your representatives at Alston [& Bird] who have had conversations with PJM on this issue.” *Id.*

22. On January 18, 2008, a representative of Pillar Fund formally requested via electronic mail that PJM return \$950,000 of Pillar Fund’s excess collateral held by PJM. Exhibit M at 1. On January 22, 2008, a representative of Pillar Fund sent representatives of PJM an e-mail regarding “Pillar’s request to return \$950,000 of its [excess] collateral at PJM.” Exhibit N at 1. Rather than comply with the request, Jay Niemeyer of PJM responded, stating: “I’ve been advised to refer you to your representatives at Alston [& Bird] who have had conversations with PJM on this issue.” *Id.*

23. On January 25, 2008, in a letter to PJM’s General Counsel, Alston & Bird, outside counsel to the Funds, responded to PJM on behalf of several of the Funds, noting that PJM’s “failure to return the collateral amounts requested on January 18 is contrary to

law and a willful violation of the PJM Operating Agreement.” Exhibit O at 1 (January 25, 2008 Letter from Stephen C. Palmer to Vincent P. Duane). None of the Funds had any excess collateral returned by PJM in the previous quarter.

24. PJM currently owes the following amounts as demanded by the Funds which are in excess of the amount of collateral required under the tariff:

BJ Energy	\$3,350,000.00
Franklin Power	\$2,000.00
GLE Trading	\$1,450,000.00
Ocean Power	\$5,250,000.00
Pillar Fund	\$950,000.00
<b>Total</b>	<b>\$11,002,000.00</b>

See Exhibit A at 2.

25. As alleged in paragraphs 16 and 17 above, PJM continues to refuse to return the excess collateral due and payable to the Funds.

**IV. THE CONTINUING FAILURE OF PJM TO RETURN REVENUE DUE AND PAYABLE TO THE FUNDS.**

26. On January 23, 2008, Suzanne S. Daugherty, Vice President, Chief Financial Officer and Treasurer for PJM, in a letter to a representative of the Tower Funds, confirmed that “PJM has retained the following [revenue] amounts related to the respective company’s [sic] December 2007 activity:

BJ Energy, LLC	\$	4,845,772.33
Franklin Power, LLC	\$	1,553,767.04
GLE Trading, LLC	\$	53,273.92
Ocean Power, LLC	\$	1,930,660.88
Total	\$	<u>8,383,474.17</u> ”

Exhibit P at 1.

27. PJM has continued to withhold additional revenues earned by BJ Energy, Franklin Power and Ocean Power.

28. PJM currently owes BJ Energy revenues in the following amounts:

For December 2007 activity:	\$	4,845,772.33
For January 2008 activity:	\$	1,998,335.08
For February 2008 activity:	\$	834,571.86
<b>Total due (not including interest)</b>	<b>\$</b>	<b>7,678,679.27</b>

29. PJM currently owes Franklin Power revenues in the following amounts:

For December 2007 activity:	\$	1,553,767.04
For January 2008 activity:	\$	2,788,510.82
For February 2008 activity:	\$	142,884.77
<b>Total due (not including interest)</b>	<b>\$</b>	<b>4,485,162.63</b>

30. PJM currently owes GLE Trading revenues in the following amounts:

For December 2007 activity:	\$	53,273.92
For January 2008 activity:	\$	0
For February 2008 activity:	\$	0
<b>Total due (not including interest)</b>	<b>\$</b>	<b>53,273.92</b>

31. PJM currently owes Ocean Power revenues in the following amounts:

For December 2007 activity:	\$	1,930,660.88
For January 2008 activity:	\$	33,691.89
For February 2008 activity:	\$	490,097.39
<b>Total due (not including interest)</b>	<b>\$</b>	<b>2,454,450.16</b>

32. Payment for the December 2007 activity was due to the Tower Funds on January 22, 2008. Payment for the January 2007 activity was due to the Tower Funds on February 20, 2008. Payment for the February 2007 activity was due to the Tower Funds on March 20, 2008.

33. In summary, PJM owes the Funds revenues in the following total amounts:

BJ Energy	\$7,678,679.27
Franklin Power	\$4,485,162.63
GLE Trading	\$53,273.92
Ocean Power	\$2,454,450.16
<b>Total</b>	<b>\$14,671,565.98</b>

34. As alleged in paragraphs 16 and 17 above, PJM continues to refuse to pay the revenue due and payable to the Funds.

**V. RELIEF REQUESTED.**

35. The Funds respectfully request the Commission to:
1. Find that PJM violated its tariff by failing to return excess capital amounts held by the Funds;
  2. Find that PJM violated its tariff by retaining, and refusing to distribute, certain amounts of revenue due and payable to the Funds;
  3. Direct that PJM immediately return the Funds' excess collateral to the Funds, with interest;
  4. Direct that PJM immediately return the revenues due and payable to the Funds, with interest;
  5. Direct that PJM cease and desist from refusing to withhold excess collateral from the Funds;
  6. Direct that PJM cease and desist from refusing to return revenues due and payable to the Funds;
  7. Grant such other and further relief as the Commission deems appropriate to address PJM's wrongful conduct.

**VI. RULE 206 REQUIREMENTS.**

36. Action or Inaction Alleged to Violate Statutory Standards or Regulatory Requirements (Rule 206(b)(1)) —The violation is stated above in Parts II-IV.

37. How Action or Inaction Violates Applicable Statutory Standards or Regulatory Requirements (Rule 206(b)(2)) —The violations of statutory and regulatory requirements are described in the Preamble and Parts II-IV.

38. Issues Presented as They Relate to or Affect the Complainant (Rules 206(b)(3)) —The issues presented are set forth in Parts I-IV.

39. Good Faith Effort to Quantify the Financial Impact or Burden Created for Complainant (Rule 206(b)(4)) —The financial impact exceeds \$25 million.

40. Practical, Operational, or other Nonfinancial Impacts on Complainant (Rule 206(b)(5)) —The actions of Respondents, if left unpunished, will permit PJM to bypass the Commission’s March 25, 2008 Order at 122 FERC ¶ 61,279, and would thus undermine the market.

41. Related Proceedings (Rule 206(b)(6)) —(a) In Docket No. ER08-455, the Commission rejected PJM’s request to allow it to hold affiliates accountable for losses incurred by related affiliates; (b) The Tower Funds, as well as other entities, have responded to PJM’s allegations of market manipulation in Docket No. EL08-44-000. This proceeding relates to the Funds’ separate and distinct claim that PJM has improperly withheld money which belongs to the Funds.

42. Specific Relief Requested (Rule 206(b)(7)) —The specific relief requested is set forth in Part V of the Complaint.

43. Documents that Support the Complaint (Rule 206(b)(8)) —Exhibits A–P are attached to this Complaint. Other documents supporting the Complaint are in the possession of Respondents.

44. Dispute Resolution (Rule 206(b)(9)) —The Funds have attempted, unsuccessfully, to resolve this dispute through correspondence and telephone calls with representatives of Respondent. Based on these discussions, it does not appear that a settled resolution is achievable.

45. Form of Notice (Rule 206(b)(10)) —The Funds have included a Form of Notice suitable for publication in the Federal Register.

46. Service on Respondent (Rule 206(c)) —The Funds are serving a copy of this Complaint, simultaneously with filing at the Commission, by e-mail and first-class mail on Respondent as follows:

Craig Glazer  
Vice President—Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W.  
Suite 600  
Washington, DC 20005  
[glazec@pjm.com](mailto:glazec@pjm.com)

Barry S. Spector  
Deborah C. Brentani  
Wright & Talisman, P.C.  
1200 G Street, N.W.  
Suite 600  
Washington, D.C. 20005  
[spector@wrightlaw.com](mailto:spector@wrightlaw.com)  
[brentani@wrightlaw.com](mailto:brentani@wrightlaw.com)

Vincent P. Duane  
Vice President & General Counsel  
PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Norristown, PA 19403  
[duanev@pjm.com](mailto:duanev@pjm.com)

## **VII. COMMUNICATIONS.**

47. Correspondence and communications with respect to this filing should be sent to, and the Funds request the Secretary to include on the official service list, the following:

Kenneth M. Raisler  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004  
(212) 558-4675 (phone)  
(212) 558-4947 (fax)  
[raislerk@sullcrom.com](mailto:raislerk@sullcrom.com)

**VIII. CONCLUSION.**

48. For the reasons stated above, the Commission should grant the Complaint and issue an order granting the relief requested above.

DATED: March 28, 2008

Respectfully submitted,

/s/ Kenneth M. Raisler

Kenneth M. Raisler  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004  
(212) 558-4675

Attorney for BJ Energy LLC,  
Franklin Power LLC, GLE  
Trading LLC, Ocean Power LLC and  
Pillar Fund LLC

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

BJ Energy LLC	)	
Franklin Power LLC	)	
GLE Trading LLC	)	
Ocean Power LLC	)	
Pillar Fund LLC	)	
Complainants,	)	
	)	Docket No. EL08-__-000
v.	)	
	)	
PJM Interconnection, L.L.C.	)	
	)	
Respondent.	)	

**NOTICE OF COMPLAINT**

(March \_\_, 2008)

Take notice that on March 28, 2008, BJ Energy LLC (“BJ Energy”), Franklin Power LLC (“Franklin Power”), GLE Trading LLC (“GLE Trading”), Ocean Power LLC (“Ocean Power”) and Pillar Fund LLC (“Pillar Fund”) (collectively, the “Tower Funds” or “Funds”) filed a Complaint against PJM Interconnection, L.L.C. (“PJM”), pursuant to Sections 205, 206, 306 and 309 of the Federal Power Act, 16 U.S.C. §§ 824d, 824e, 825e and 825h, and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.206, alleging that PJM is violating its own tariff on an ongoing basis because of (1) PJM’s refusal to return excess collateral requested by the Funds and due and payable to the Funds, and (2) PJM’s refusal to distribute certain amounts of revenue due and payable to the Funds. The Funds allege that PJM should be directed to immediately return the revenues due to, and the excess collateral requested by, the Funds.

The Funds certify that copies of the complaint were served on the contacts for Respondent.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestant parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent's answer and all interventions, or protests must be filed on or before the comment date. The Respondent's answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance (866) 208-3676 (toll free). For TYY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on April \_\_, 2008

Kimberly D. Bose,

Secretary.

# **Exhibit A**

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**From:** duanev@pjm.com

**Sent:** Tuesday, January 22, 2008 11:18 AM

**To:** Palmer, Stephen

**Cc:** spector@wrightlaw.com

**Subject:** RE: Request for immediate assurance regarding PJM's January 18th FERC filing to change the default allocation provisions of the PJM Operating Agreement

Mr. Palmer:

Thanks for your time this morning. As mentioned, I will have Barry Spector, our outside FERC counsel call you to discuss this matter in more detail, including more definitive going-forward plans to conduct discussions between your clients and PJM.

For the moment, let me restate here what I stated on our call this morning. As far as revenues that would otherwise be credited to the accounts of the various Power Edge affiliates, PJM will, for the present time, withhold disbursement of these funds. However, PJM will not, at this time, distribute these funds to other PJM members as a set-off. As far as collateral posted by various Power Edge affiliates, PJM will not, at this time, apply such collateral to the amounts Power Edge owes to PJM. This collateral will remain credited to the accounts of the various affiliates. Accordingly, PJM does not intend to declare any of Power Edge's affiliates in FTR collateral default, based on Power Edge's payment default. However, PJM does not intend to return, for the present time, any posted collateral that may be requested by Power Edge or any of its affiliates.

I hope this statement maintains the "status quo" in a manner conducive to further discussions. Barry Spector will be available today to discuss further details.

Regards,

Vincent Duane

# **Exhibit B**

# TOWER RESEARCH CAPITAL LLC

Quantitative Trading and Investment Strategies

March 26, 2008

VIA E-MAIL, ORIGINAL BY MAIL

Vincent P. Duane  
Vice President and General Counsel  
PJM Interconnection L.L.C.  
955 Jefferson Avenue  
Norristown, PA 19403

Dear Mr. Duane:

This letter is on behalf of BJ Energy LLC, Franklin Power LLC, GLE Trading LLC, Ocean Power LLC, and Pillar Fund LLC (collectively, the "Tower Funds"). Since mid-January 2008, PJM has retained and refused to distribute certain amounts of revenues due and owing to the Tower Funds. During this same period, in contrast, the Tower Funds have continued to pay all invoiced amounts due to PJM totaling over \$35,000. In addition, PJM has retained and refused to return requested amounts of collateral posted by certain Tower Funds in their respective accounts in excess of that required by PJM to be posted for their respective activity. The Tower Funds understood that it was PJM's position that its retention of such revenues and collateral was justified by certain proposed revisions to the PJM Operating Agreement which were pending in FERC Docket No. ER08-455-000. By Order dated March 25, 2008, the Federal Energy Regulatory Commission rejected PJM's proposed revisions in Docket No. ER08-455-000.<sup>1</sup>

The Tower Funds ask that PJM immediately forward by wire all retained revenues due and owing to each of the Tower Funds with interest from the date such amount was due to the respective Tower Fund. Based on information forward by PJM to each of the Tower Funds, the following revenue amounts are due and owing:

BJ Energy LLC

For December 2007 activity:	\$ 4,845,772.33
For January 2008 activity:	\$ 1,998,335.08
For February 2008 activity:	<u>\$ 834,571.86</u>
TOTAL due (plus interest)	\$ 7,678,679.27

Franklin Power LLC

For December 2007 activity:	\$ 1,553,767.04
For January 2008 activity:	\$ 2,788,510.82
For February 2008 activity:	<u>\$ 142,884.77</u>
TOTAL due (plus interest)	\$ 4,485,162.63

<sup>1</sup> *Order on Tariff Revisions*, 122 FERC ¶ 61,279 at P 4 (2008).

GLE Trading LLC

For December 2007 activity:	\$ 53,273.92
For January 2008 activity:	\$ 0
For February 2008 activity:	\$ 0
TOTAL due (plus interest)	\$ 53,273.92

Ocean Power LLC

For December 2007 activity:	\$ 1,930,660.88
For January 2008 activity:	\$ 33,691.89
For February 2008 activity:	\$ 490,097.39
TOTAL due (plus interest)	\$ 2,454,450.16

In addition, the Tower Funds ask that PJM immediately forward by wire the following collateral amounts which are in excess of the collateral amounts required by PJM:

BJ Energy LLC	\$ 3,350,000.00
Franklin Power LLC	\$ 2,000.00
GLE Trading LLC	\$ 1,450,000.00
Ocean Power LLC	\$ 5,250,000.00
Pillar Fund LLC	\$ 950,000.00

The Tower Funds have already suffered substantial financial harm and damage to their respective businesses as a direct result of PJM's willful refusal to distribute revenue amounts due and owing to the Tower Funds and to return collateral amounts in excess of amounts required by PJM to conduct their respective activities in violation of the express terms of its Tariff and Operating Agreement. Accordingly, the Tower Funds demand that PJM immediately forward the aforementioned amounts to the respective Tower Funds. Each of the Tower Funds reserves all rights to pursue all available legal actions against PJM should PJM fail to comply with this request.

Sincerely,



Sandy Choi  
General Counsel

# **Exhibit C**

# Megawatt Daily

Thursday, March 27, 2008

## FERC rejects PJM affiliate liability proposal

The Federal Energy Regulatory Commission rejected the PJM Interconnection's proposal to set off a company's financial transmission right default against the market revenue of its affiliates that operate in the same market.

According to FERC's Tuesday order, such a change in the grid operator's tariff would not address "the perceived flaw in PJM credit policies, which may be present regardless of whether a company is affiliated with other participants in the market."

FERC also said that PJM has not established that the risks of default in the FTR market are limited to companies with affiliates and that "a company without an affiliate trading in the PJM market can take as risky or more risky positions than a company

(continued on page 10)

## Cal-ISO chief: MRTU launch no earlier than fall

The California Independent System Operator's president and CEO Yakout Mansour told the ISO's Board of Governors Wednesday that the earliest launch date would be in October for the ISO's often-delayed Market Redesign and Technology Upgrade.

"The go-live date will not be before the summer," Mansour told the board and Cal-ISO stakeholders at the board's regular monthly meeting. "Many of you might say 'duh,'" he said, laughing. "But many of you wanted to hear that in a formal way. Our goal now, with market participants, is that the fall seems like a very reasonable estimate."

Mansour said that a decision will be reached in July as to when to launch, but he said the earliest would be "three months

(continued on page 10)

## California ISO eyes changes to CRR market

Following recent defaults in the PJM Interconnection's financial transmission rights market, the California Independent System Operator is considering a series of changes to its FTR market that will likely be introduced later this year as part of the grid operator's Market Redesign and Technology Upgrade.

Among the proposals being considered are credit policy changes for congestion revenue rights, improving the accuracy of CRR portfolio valuations for credit purposes, and assessing and mitigating credit risks posed by the possibility of PJM-like defaults, according to a Cal-ISO document released Tuesday.

Financial transmission rights, called CRRs by Cal-ISO, are used to hedge against congestion on the electric power grid.

Cal-ISO now uses a physical transmission right, called a firm

(continued on page 11)

## Day-ahead markets for delivery Mar 27 (\$/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
ERCOT	17.75	3.24	15.95-20.05	14	1,050	45.39
ERCOT, North	76.81	6.13	75.00-79.05	61	3,525	73.62
ERCOT, Houston	86.54	6.08	84.95-87.75	35	2,300	82.11
ERCOT, West	20.00	5.00	20.00-20.00	N.A.	N.A.	46.98
ERCOT, South	87.07	5.19	86.00-88.00	18	900	83.86
<b>Off-Peak</b>						
ERCOT	3.00	1.84	3.00-3.00	N.A.	N.A.	29.03
ERCOT, North	45.23	1.60	44.50-47.00	29	1,825	51.52
ERCOT, Houston	48.12	0.87	47.00-50.00	20	1,450	55.97
ERCOT, West	4.00	1.00	4.00-4.00	N.A.	N.A.	31.22
ERCOT, South	48.00	-0.33	48.00-48.00	N.A.	N.A.	57.27
<b>Southeast</b>						
<b>On-peak</b>						
VACAR	67.50	-2.00	67.50-67.50	N.A.	N.A.	68.18
Southern, into	67.00	-3.25	67.00-67.00	N.A.	N.A.	69.64
Florida	71.25	-1.75	71.25-71.25	N.A.	N.A.	73.12
TVA, into	66.50	-2.50	66.50-66.50	N.A.	N.A.	73.12
Entergy, into	68.69	-2.81	67.90-70.00	7	350	72.91
<b>Off-Peak</b>						
VACAR	47.50	-6.00	47.50-47.50	N.A.	N.A.	47.93
Southern, into	48.75	-6.50	48.75-48.75	N.A.	N.A.	49.33
Florida	49.50	-3.75	49.50-49.50	N.A.	N.A.	50.67
TVA, into	43.50	-7.50	43.50-43.50	N.A.	N.A.	49.21
Entergy, into	46.25	-2.25	46.25-46.25	N.A.	N.A.	46.97
<b>West</b>						
<b>On-peak</b>						
COB	77.69	3.24	76.50-79.00	14	350	77.72
Mid-C	70.95	-0.99	69.00-78.70	324	9,200	72.76
Palo Verde	77.21	4.11	76.15-80.50	40	1,075	74.45
Mead	79.39	4.18	78.25-80.50	16	400	76.78
Mona	76.00	2.50	76.00-76.00	N.A.	N.A.	74.16
Four Corners	79.50	5.50	79.50-79.50	N.A.	N.A.	76.58
NP15	84.71	4.15	83.50-86.50	78	2,175	85.11
SP15	84.20	3.73	83.00-88.00	422	12,875	82.12
<b>Off-Peak</b>						
COB	68.50	2.71	66.25-72.00	11	325	69.48
Mid-C	69.23	2.33	65.00-71.00	128	3,600	68.52
Palo Verde	56.85	1.85	56.00-59.25	31	925	60.49
Mead	60.62	3.67	58.00-61.00	8	300	62.20
Mona	55.00	5.00	55.00-55.00	N.A.	N.A.	57.44
Four Corners	57.75	1.25	57.75-57.75	N.A.	N.A.	61.48
NP15	63.20	1.90	61.75-66.00	67	1,825	68.96
SP15	63.06	2.07	61.25-65.15	104	2,800	65.57
<b>Northeast</b>						
<b>On-peak</b>						
Mass Hub	83.75	-0.75	83.75-83.75	N.A.	N.A.	85.75
N.Y. Zone-G	103.50	0.50	103.50-103.50	N.A.	N.A.	93.46
N.Y. Zone-J	124.00	7.00	124.00-124.00	N.A.	N.A.	105.16
N.Y. Zone-A	75.75	1.75	75.75-75.75	N.A.	N.A.	73.63
Ontario*	71.00	4.00	71.00-71.00	N.A.	N.A.	69.37
<b>Off-Peak</b>						
Mass Hub	63.75	-3.75	63.75-63.75	N.A.	N.A.	66.66
N.Y. Zone-G	78.25	1.00	78.25-78.25	N.A.	N.A.	73.80
N.Y. Zone-J	76.00	4.50	76.00-76.00	N.A.	N.A.	76.66
N.Y. Zone-A	59.00	2.25	59.00-59.00	N.A.	N.A.	57.05
Ontario	47.00	3.00	47.00-47.00	N.A.	N.A.	46.64

(continued on page 2)

## FERC rejects PJM proposal... from page 1

with such an affiliate. Companies have legitimate, non-manipulative reasons to establish affiliates."

FERC said that its Office of Enforcement opened in January an investigation into the activities of Power Edge and its affiliates operating in PJM, and would determine whether the companies have violated any rules. FERC will also look into appropriate penalties if manipulation is established.

Power Edge, BJ Energy, Accord Energy, Franklin Power, GLE Trading, Ocean Power and Pillar Fund are affiliated companies operated by Tower Research Capital, and all of them conducted business in PJM.

"The Tower Companies are gratified that the commission recognized the discriminatory nature of the affiliate set-off rule change proposed by PJM," said Nick Underwood, head of operations for Tower Companies. "Along with many other market participants, we strongly protested this unjust and unreasonable attack on corporate form. We support the commission in its efforts to encourage PJM to develop a sensible and comprehensive credit policy upon which efficient and reliable markets are built."

After Power Edge alleged that PJM had persuaded it to buy a large negative FTR portfolio on top of the large net-negative positions already held by the company, PJM responded with an answer filed with FERC alleging that Power Edge and its affiliates manipulated the market. Among other things, PJM claimed that the seven affiliated companies isolated all of their risky positions in one affiliate, Power Edge, while other affiliates took offsetting positions to increase their revenue.

PJM urged the commission to direct BJ Energy to disgorge at a minimum \$10.4 million of unjust profits, order a public hearing to investigate the companies and assess civil penalties. PJM also asked FERC to issue an order prohibiting the companies from future participation in the PJM market, but in its order the Commission rejected the idea.

In a dissent, Commissioner Philip Moeller said barring PJM from holding affiliates liable for Power Edge's default in the financial transmission rights market would cost PJM members millions of dollars.

Moeller asserted that PJM's proposal was not too broad and was "narrowly tailored to address the very real situation of having a market participant use the existing default allocation rules to shift the risk of short FTR trades to other PJM market participants."

Further, Moeller said that the rejected proposal would have allowed PJM to collect "millions of dollars" from Power Edge, which defaulted in the PJM FTR market. The company took large negative FTR positions. When congestion patterns in PJM changed, Power Edge became liable for about \$70 million, payable to PJM. These costs "will now largely, if not exclusively, be borne by all PJM members," Moeller said.

PJM has seized collateral and revenue from Power Edge's affiliates operating in the market but has not used the money to offset any of the losses associated with the default and is just keeping them in a separate account.

"We are still evaluating the next steps," Paula DuPont-Kidd, spokeswoman for PJM, said, adding that among the options under consideration are civil action or possibly requesting a

FERC rehearing on the affiliates' liability issue. "While there is any legal action or decision pending, we will not be releasing the money... It will continue to be held until there is a clear direction on it," she said.

The PJM proposal rejected by FERC caused a lot of controversy among PJM members and neighboring independent system operators. PSEG Power and PSEG Energy Resources & Trade went so far as to ask FERC to delay the admission into ISO New England of Franklin Power and GLE Trading, which are affiliates of Power Edge.

However, FERC last month rejected PSEG's idea. But in a strongly worded concurring statement, Moeller put independent system operators and regional transmission organizations on notice regarding FTR markets. "The recent defaults in the PJM's FTR market are deeply troubling," Moeller said.

"I believe that market participants are not entitled to structure their transactions with an expectation that they could default and impose a burden on other market participants (and ultimately, the ratepayers) to cover their outstanding charges and losses."

### Approval of credit policy changes

In other actions on Tuesday, the commission approved two of PJM's proposals designed to improve its credit policy and prevent future defaults. The approved provisions will allow PJM to require higher collateral for bidding into the FTR market and for holding the transmission rights. The changes will be effective April 1, prior to PJM's annual FTR auction. "We're very pleased with the FERC ruling regarding the credit policies for FTRs," DuPont Kidd said.

Carol Smoots, a partner with Perkins Coie law firm in Washington, which represents financial players in the PJM market, said that FERC "did not address the flaws in the credit requirements for geographically undiversified portfolios."

According to Smoots, the order accepting PJM credit policy changes has this "notion that somehow the trades of some participants are more valuable and more deserving of protection than others," saying that financial participants deserve the same level of protection and fair treatment that load serving entities do. — *Milena Yordanova-Kline*

## MRTU launch seen no earlier than fall... from page 1

after July. Even if we are ready before the fall [to launch], that would not be a good idea."

Cal-ISO said Tuesday that it completed three successive days of nearly flawless run-throughs of the new MRTU day-ahead power market during an ongoing MRTU simulation that began February 19.

Steve Berberich, Cal-ISO's chief information officer and vice president of information technology, said Tuesday that the grid operator's information technology staff is installing patches and loading software into the MRTU that will add more functionality when the MRTU simulation that began a two-week hiatus on Monday resumes in April.

The simulation will restart April 7 and run through the end of May, Berberich said. Cal-ISO stakeholders will then have three months to test their systems and get ready for launch, he said.

— *Daniel Guido*

# **Exhibit D**



955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Vincent P. Duane  
Vice President and  
General Counsel  
610.666.4367 | Fax – 610.666.4281  
duanev@pjm.com

March 27, 2008

Via Email and U.S. Mail

Sandy Choi  
General Counsel  
Tower Research Capital LLC  
377 Broadway, 11<sup>th</sup> Floor  
New York, N.Y. 10013

Dear Sandy,

This letter responds to your letter dated March 26, 2008, requesting PJM Interconnection, L.L.C. (“PJM”) to disburse certain monies you allege are due and owing to BJ Energy LLC, Franklin Power LLC, GLE Trading LLC, Ocean Power LLC, and Pillar Fund LLC, on whose behalf you assert authority to make such request.<sup>1</sup>

As you are aware, PJM believes the above companies, along with other affiliated companies, have conspired to defraud PJM and market participants trading in PJM’s markets, causing injuries in excess of the funds you request PJM to disburse. PJM has filed a complaint at the Federal Energy Regulatory Commission (“FERC”) requesting investigation of these claims, and, unless such disputes are resolved consensually, reserves the right to initiate other actions in appropriate forums, to vindicate these claims. The FERC also has indicated that it is conducting a non-public investigation into the activities of the above companies. Accordingly, until these claims are resolved, PJM does not intend to disburse any of the funds.

To date, Tower has not provided PJM with any information about the owners or investors in any of the above companies, or of Power Edge LLC, which owes PJM tens of millions of dollars. PJM has no assurance that these companies have any assets or that they would not distribute to owners and investors any money that PJM disbursed to them, destroying the ability of PJM and its members, or the FERC, to execute upon any judgment that may be rendered concerning the pending disputes. On the topic of owners, it has been suggested to PJM that the names of at least two of the above companies are derived from the initials of individual traders employed by Tower Research – George Lee and Bing J. Ni. These same individuals held themselves out to PJM as agents for Power Edge and other Tower Research affiliates. The more we learn about the degree of interrelationship, the greater our concern that PJM has been dealing with a collection of alter egos and not truly distinct companies.

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<sup>1</sup> Based on prior correspondence from Stephen C. Palmer of Alston & Bird LLP, PJM was informed that Tower Research Capital LLC, on whose letterhead you have made the request, is the “managing entity” only for BJ Energy LLC.

Sandy Choi  
March 27, 2008  
Page 2

Your understanding is incorrect that PJM's retention of the funds was premised on the pendency of the filing of Operating Agreement revisions in FERC Docket No. ER08-455. To the contrary, as I have previously informed you and your counsel, the totality of the claims described above are the basis for PJM's holding the funds. That the FERC has not accepted the Operating Agreement filing has not eliminated PJM's claimed entitlement to these funds. Indeed, the FERC has stated that its own ongoing investigation may lead to remedies against Power Edge and its affiliates.

As we have assured you, PJM is not disbursing any of this money to its members and is holding the funds only so that a court or regulatory agency may ultimately determine their disposition. If this arrangement is unsatisfactory to you, and you wish to enter into an appropriate escrow agreement with a financial institution to hold the funds pending the resolution of PJM's claims, I would be glad to discuss that with you.

If you have any questions, do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Vincent P. Duane", with a long horizontal flourish extending to the right.

Vincent P. Duane

# **Exhibit E**

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**From:** George Lee [glee@tower-research.com]  
**Sent:** Friday, January 18, 2008 11:45 PM  
**To:** niemej@pjm.com; loomih@pjm.com; pengh@pjm.com  
**Cc:** Nick Underwood; Bruckner, Willa; Palmer, Stephen; George Lee  
**Subject:** BJ Energy Request to Return Collateral

January 18, 2008

Hi Jay,

BJ Energy requests the return of \$1.85M (\$1,850,000) of its FTR collateral at PJM. The requested amount is in excess of the FTR collateral requirement for BJ Energy calculated by PJM on BJ Energy's existing FTRs and submitted FTR bid/offers in the February Balance-of-the-Planning-Year FTR auction.

Please let me know if you have any questions or issues concerning this request.

Thanks,

George Lee

BJ Energy

# **Exhibit F**

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**From:** niemej@pjm.com  
**Sent:** Tuesday, January 22, 2008 1:09 PM  
**To:** kbarnett@limegroup.com  
**Cc:** glee@tower-research.com; Palmer, Stephen; Ngau, Timothy; loomih@pjm.com  
**Subject:** RE: BJ Energy Collateral return

Kelly,

I've been advised to refer you to your representatives at Alston who have had conversations with PJM on this issue.

Thank you.

Jay Niemeyer  
PJM

-----Original Message-----

**From:** Kelly Barnett [<mailto:kbarnett@limegroup.com>]  
**Sent:** Tuesday, January 22, 2008 10:26 AM  
**To:** Niemeyer, Jay  
**Cc:** glee@tower-research.com; Stephen.Palmer@alston.com; 'Timothy A. Ngau'; Loomis, Harold  
**Subject:** FW: BJ Energy Collateral return

Hi Jay,

I left you a voicemail regarding the collateral return. Please let me know if you need anything else from me.

Thanks,

Kelly

---

**From:** Kelly Barnett [<mailto:kbarnett@limegroup.com>]  
**Sent:** Tuesday, January 22, 2008 10:16 AM  
**To:** 'niemej@pjm.com'  
**Cc:** 'glee@tower-research.com'; 'Stephen.Palmer@alston.com'; 'Timothy A. Ngau'  
**Subject:** BJ Energy Collateral return

Hi Jay,

BJ Energy requested a collateral return of \$1.85M on Friday. Will that go out today? Wire instructions are below.

North Fork Bank

120 West 23rd Street

New York, New York 10011

ABA #021 4079 12

Account Name: BJ Energy

Account No.: **Material Redacted**

Thanks,

Kelly Barnett

Tower Research Capital, LLC

377 Broadway 11th floor

New York, NY 10013

212-219-6077

[kbarnett@limegroup.com](mailto:kbarnett@limegroup.com)

# **Exhibit G**

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**From:** George Lee [glee@tower-research.com]  
**Sent:** Friday, January 18, 2008 9:44 PM  
**To:** niemej@pjm.com; loomih@pjm.com; pengh@pjm.com  
**Cc:** Nick Underwood; Bruckner, Willa; Palmer, Stephen; George Lee  
**Subject:** FW: Franklin Power Request to Return Collateral

Hi Jay,

Just want to point out that the requested amount is in excess of the FTR collateral requirement for Franklin Power as calculated by PJM.

Thanks,

George

From: George Lee [mailto:glee@tower-research.com]  
Sent: Friday, January 18, 2008 9:32 PM  
To: 'niemej@pjm.com'; 'loomih@pjm.com'; 'pengh@pjm.com'  
Cc: 'Nick Underwood'; 'Bruckner, Willa'; 'Palmer, Stephen'; 'George Lee'  
Subject: Franklin Power Request to Return Collateral

January 18, 2008

Hi Jay,

Franklin Power requests the return of \$587,000 of its FTR collateral at PJM.

Please let me know if you have any questions or issues concerning this request.

Thanks,

George Lee

Franklin Power

# **Exhibit H**

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**From:** niemej@pjm.com  
**Sent:** Tuesday, January 22, 2008 1:24 PM  
**To:** mwessels@limegroup.com  
**Cc:** loomih@pjm.com; glee@tower-research.com; Palmer, Stephen; Ngau, Timothy  
**Subject:** RE: Franklin Power Request to Return Collateral

Marci,

I've been advised to refer you to your representatives at Alston who have had conversations with PJM on this issue.

Thank you.

Jay Niemeyer  
PJM

-----Original Message-----

**From:** Marci Wessels [<mailto:mwessels@limegroup.com>]  
**Sent:** Tuesday, January 22, 2008 10:27 AM  
**To:** Niemeyer, Jay  
**Cc:** Loomis, Harold; 'George Lee'; Stephen.Palmer@alston.com; Timothy.Ngau@alston.com  
**Subject:** Franklin Power Request to Return Collateral

Hi Jay,

I just left you a voicemail regarding Franklin Power's request to return \$587,000 of FTR collateral at PJM. Can you please let me know the status of this request?

Wire instructions are below:

ABA 021407912  
North Fork Bank  
120 W. 23rd St  
New York, NY

**Material Redacted**

A/C  
Franklin Power LLC  
377 Broadway, 11th fl  
New York, NY

Thanks,  
Marci Wessels

Account No.: **Material Redacted**

Thanks,

Kelly Barnett

Tower Research Capital, LLC

377 Broadway 11th floor

New York, NY 10013

212-219-6077

[kbarnett@limegroup.com](mailto:kbarnett@limegroup.com)

# **Exhibit I**

---

**From:** George Lee [glee@tower-research.com]  
**Sent:** Friday, January 18, 2008 9:45 PM  
**To:** niemej@pjm.com; loomih@pjm.com; pengh@pjm.com  
**Cc:** Nick Underwood; Bruckner, Willa; Palmer, Stephen; George Lee  
**Subject:** FW: GLET request to return collateral

Hi Jay,

Just want to point out that the requested amount is in excess of the FTR collateral requirement for GLE Trading as calculated by PJM.

Thanks,

George

From: George Lee [mailto:glee@tower-research.com]  
Sent: Friday, January 18, 2008 9:33 PM  
To: 'niemej@pjm.com'; 'loomih@pjm.com'; 'pengh@pjm.com'  
Cc: 'Nick Underwood'; 'Bruckner, Willa'; 'Palmer, Stephen'; 'George Lee'  
Subject: GLET request to return collateral

January 18, 2008

Hi Jay,

GLE Trading requests the return of \$1,370,000 of its collateral at PJM.

Please let me know if you have any questions or issues concerning this request.

Thanks,

George Lee  
GLE Trading

# **Exhibit J**

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**From:** niemej@pjm.com  
**Sent:** Tuesday, January 22, 2008 1:24 PM  
**To:** mwessels@limegroup.com  
**Cc:** loomih@pjm.com; glee@tower-research.com; Palmer, Stephen; Ngau, Timothy  
**Subject:** RE: GLET Request to Return Collateral

Marci,

I've been advised to refer you to your representatives at Alston who have had conversations with PJM on this issue.

Thank you.

Jay Niemeyer  
PJM

-----Original Message-----

**From:** Marci Wessels [<mailto:mwessels@limegroup.com>]  
**Sent:** Tuesday, January 22, 2008 10:31 AM  
**To:** Niemeyer, Jay  
**Cc:** Loomis, Harold; 'George Lee'; Stephen.Palmer@alston.com; Timothy.Ngau@alston.com  
**Subject:** GLET Request to Return Collateral

Hi Jay,

I just left you a voicemail regarding GLET's request to return \$1,370,000 of its collateral at PJM. Can you please let me know the status of this request?

Wire instructions are below:

ABA 021407912  
North Fork Bank  
120 W. 23rd St  
New York, NY

**Material Redacted**

A/C  
GLE Trading LLC  
377 Broadway, 11th fl  
New York, NY

Thanks,  
Marci Wessels

3/28/2008

# **Exhibit K**

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**From:** George Lee [glee@tower-research.com]  
**Sent:** Friday, January 18, 2008 11:47 PM  
**To:** niemej@pjm.com; loomih@pjm.com; pengh@pjm.com  
**Cc:** Nick Underwood; Bruckner, Willa; Palmer, Stephen; George Lee  
**Subject:** Ocean Power LLC Request to Return Collateral

January 18, 2008

Hi Jay,

Ocean Power requests the return of \$3.95M (i.e. \$3,950,000.00) of its FTR collateral at PJM. The requested amount is in excess of the FTR collateral requirement for Ocean Power calculated by PJM on Ocean Power's existing FTRs and submitted FTR bids/offers in the February Balance-of-the-Planning-Year FTR auction.

Please let me know if you have any questions or issues concerning this request.

Thanks,

George Lee

Ocean Power LLC

# **Exhibit L**

**Foldenauer, Aaron S.**

---

**From:** niemej@pjm.com  
**Sent:** Tuesday, January 22, 2008 1:23 PM  
**To:** kbarnett@limegroup.com; loomih@pjm.com  
**Cc:** glee@tower-research.com; Palmer, Stephen; Ngau, Timothy  
**Subject:** RE: Ocean Power collateral return

Kelly,

I've been advised to refer you to your representatives at Alston who have had conversations with PJM on this issue.

Thank you.

Jay Niemeyer  
PJM

-----Original Message-----

**From:** Kelly Barnett [<mailto:kbarnett@limegroup.com>]  
**Sent:** Tuesday, January 22, 2008 10:24 AM  
**To:** Niemeyer, Jay; Loomis, Harold  
**Cc:** glee@tower-research.com; Stephen.Palmer@alston.com; 'Timothy A. Ngau'  
**Subject:** Ocean Power collateral return

Hi Jay,

I left you a voice mail regarding Ocean Power's request to return \$3.95M of collateral. George submitted the request Friday. Will it go out today? Wire instructions are below.

North Fork Bank

120 West 23rd Street

New York, New York 10011

ABA #021 4079 12

Account Name: Ocean Power

3/28/2008

Account No.: **Material Redacted**

Thanks,

Kelly Barnett

Tower Research Capital, LLC

377 Broadway 11th floor

New York, NY 10013

212-219-6077

[kbarnett@limegroup.com](mailto:kbarnett@limegroup.com)

# **Exhibit M**

---

**From:** George Lee [glee@tower-research.com]  
**Sent:** Friday, January 18, 2008 9:53 PM  
**To:** niemej@pjm.com; loomih@pjm.com; pengh@pjm.com  
**Cc:** Nick Underwood; Bruckner, Willa; Palmer, Stephen; George Lee  
**Subject:** FW: Pillar Request to return collateral

Hi Jay,

Just want to point out that the requested amount is in excess of the collateral requirement for Pillar as calculated by PJM.

Thanks,

George

From: George Lee [mailto:glee@tower-research.com]  
Sent: Friday, January 18, 2008 9:33 PM  
To: 'niemej@pjm.com'; 'loomih@pjm.com'; 'pengh@pjm.com'  
Cc: 'Nick Underwood'; 'Bruckner, Willa'; 'Palmer, Stephen'; 'George Lee'  
Subject: Pillar Request to return collateral

January 18, 2008

Hi Jay,

Pillar requests the return of \$950,000 of its collateral at PJM.

Please let me know if you have any questions or issues concerning this request.

Thanks,

George Lee

Pillar

# **Exhibit N**

---

**From:** niemej@pjm.com  
**Sent:** Tuesday, January 22, 2008 1:25 PM  
**To:** mwessels@limegroup.com  
**Cc:** loomih@pjm.com; glee@tower-research.com; Palmer, Stephen; Ngau, Timothy  
**Subject:** RE: Pillar Request to Return Collateral

Marci,

I've been advised to refer you to your representatives at Alston who have had conversations with PJM on this issue.

Thank you.

Jay Niemeyer  
PJM

-----Original Message-----

**From:** Marci Wessels [mailto:mwessels@limegroup.com]  
**Sent:** Tuesday, January 22, 2008 10:29 AM  
**To:** Niemeyer, Jay  
**Cc:** Loomis, Harold; 'George Lee'; Stephen.Palmer@alston.com; Timothy.Ngau@alston.com  
**Subject:** Pillar Request to Return Collateral

Hi Jay,

I just left you a voicemail regarding Pillar's request to return \$950,000 of its collateral at PJM. Can you please let me know the status of this request?

Wire instructions are below:

ABA 021407912  
North Fork Bank  
120 W. 23rd St  
New York, NY

**Material Redacted**

A/C  
Pillar Fund LLC  
377 Broadway, 11th fl  
New York, NY

Thanks,  
Marci Wessels

# **Exhibit O**

# ALSTON & BIRD LLP

The Atlantic Building  
950 F Street, NW  
Washington, DC 20004-1404

202-756-3300  
Fax: 202-756-3333  
www.alston.com

Stephen C. Palmer

Direct Dial: 202-756-3360

E-mail: [stephen.palmer@alston.com](mailto:stephen.palmer@alston.com)

January 25, 2008

VIA E-MAIL

Vincent P. Duane  
Vice President and General Counsel  
PJM Interconnection L.L.C.  
955 Jefferson Avenue  
Norristown, PA 19403

Re: Retention of Funds

Dear Mr. Duane:

This letter is in response to the attached letter of January 23, 2008 from Suzanne S. Daugherty to Mr. George Lee. Ms. Daugherty's letter states that pursuant to our discussions that she is confirming to Mr. Lee that PJM has retained certain specified revenue amounts for the December 2007 activities of BJ Energy LLC, Franklin Power LLC, GLE Trading LLC and Ocean Power LLC (the "Targeted Companies"). With regarding to GLE Trading she states that PJM is retaining \$53,273.92. Separately, on January 18, 2008, GLE Trading LLC and Pillar Fund LLC requested the return of amounts of collateral posted in their respective accounts in excess of that required by PJM to be posted for their respective activity. GLE Trading LLC requested the return of \$1,370,000 of excess collateral. Pillar Fund LLC requested the return of \$950,000 of excess collateral. PJM has not complied with these requests of GLE Trading LLC and Pillar Fund LLC again referring to our conversations.

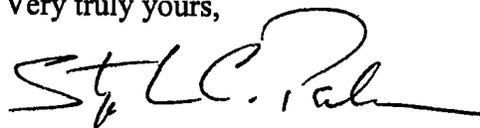
First, Ms. Daugherty's letter could be read to suggest that our discussions led to an agreement by the Targeted Companies that PJM could retain revenues and collateral. No such agreement was reached and during our discussions the Targeted Companies did not consent to such action by PJM. In fact, to be clear if there is any misunderstanding on PJM's part, it is the position of each of the Targeted Companies that PJM's retention of funds due and owing to it as of December 31, 2007 and failure to return the collateral amounts requested on January 18 is contrary to law and a willful violation of the PJM Operating Agreement. Each of the Target Companies is suffering substantial harm and damage to its business as a direct result of this action and each Target Company reserves all rights to pursue all available legal actions against PJM.

Second, the Targeted Companies understood that it was PJM's position that its retention of the funds and collateral of the Target Companies is permitted by certain proposed provisions of the PJM Operating Agreement as set forth in Section 15.2.1 Limited Additional Right to Set-Off And Apply Collateral which is the subject of filing made on January 18, 2008 in FERC Docket No. ER08-455-000. As PJM explained to the Commission in its January 18, 2008 filing letter, proposed Section 15.2.1 is intended to supplement PJM's rights upon a default with "(1) a limited right to set the default off against FTR market revenues that would otherwise due from PJM to affiliates of the defaulting party, and (2) a limited right to apply such affiliate's posted security to the extent that security relates to its FTR positions." January 18, 2008 Letter to Ms. Kimberly D. Bose, Secretary, Federal Energy Regulatory Commission from Paul M. Flynn.

Neither GLE Trading LLC nor Pillar Fund LLP now holds or has ever held any FTR position. Accordingly, new proposed Section 15.2.1 provides no basis for retaining revenues due and owing to GLE Trading LLC in the amount of \$53,273.92. Similarly, new proposed Section 15.2.1 provides no basis for refusing to return collateral amounts to GLE Trading LLC or Pillar Fund LLC in excess of that required by PJM -- \$1,370,000 in the case of GLE Trading LLC and \$950,000 in the case of Pillar Fund LLC.

GLE Trading LLC and Pillar Fund LLC ask that PJM, by the close of business Monday, January 28, 2008, forward such revenues as are due and owing as well as all requested amounts of excess collateral or provide a written explanation for PJM's decision to continue to retain these amounts.

Very truly yours,

A handwritten signature in black ink that reads "S.C. Palmer". The signature is written in a cursive, flowing style.

Stephen C. Palmer

SCP:br

# **Exhibit P**



955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

January 23, 2008

Via Overnight and Electronic mail

Mr. George Lee  
377 Broadway  
11<sup>th</sup> Floor  
New York, NY 10013

Re: Retention of Funds

Dear Mr. Lee,

Pursuant to discussions between PJM's general counsel's office and Steve Palmer at Alston & Bird LLP, this letter is to confirm that PJM has retained the following amounts related to the respective company's December 2007 activity:

BJ Energy, LLC	\$4,845,772.33
Franklin Power, LLC	\$1,553,767.04
GLE Trading, LLC	\$53,273.92
Ocean Power, LLC	<u>\$1,930,660.88</u>
Total	\$8,383,474.17

These funds will be held in a PJM account bearing interest at the same rate as earned by cash collateral provided to PJM by its members.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne S. Daugherty".

Suzanne S. Daugherty  
Vice President, Chief Financial Officer and Treasurer  
PJM Interconnection, LLC