

Summary: Mild Weather, Soft Loads Likely to Keep Heat Rates & Prices Stable

Very mild and unseasonably warm weather is again expected throughout the Northeast this week. The mid-day highs near 60 degrees and overnight lows around 50 degrees are about 2 to 4 degrees above normal for PJM and New York, and will keep peak loads subdued and stem the rise in natural gas prices this week. Slightly cooler weather is expected in New England but is still warmer than normal. No large variations in weather demand, or peak loads is expected this week, and generation outages are expected to remain stable this week. New England's forecast generator outages have been reduced by about 500 MW this week. Seabrook is expected to be back online over the weekend.

We expect natural gas prices to continue to soften marginally this week. Delivered gas prices were off 30 cents/MMBtu for Tuesday delivery and we expect the softening trend to continue to keep gas prices under wraps for the rest of the week. Soft gas prices and stable heat rates should keep power prices soft and stable this week.

Transmission Analysis

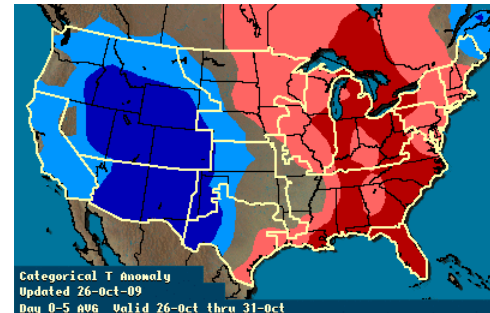
New England: The Manchester-Scovill Rk 345 kv line will be out Oct 21 - Nov 20. The 345 kV Seabrook to Timber line will be out Oct 18-23.

New York: Work on the Chateaugay DC line will reduce Moses South flows by 350 MW from Sep 30 to Nov 9. Line work on the 765 kV Chateaugay-Massena and Massena-Marcy lines from Oct 17 - 30 will stop imports from Quebec and reduce Moses flows to as low as 675 MW. Central East flows will be reduced by 415 MW as a result of these outages.

PJM: In PSEG-S, the 500 kV New Freedom-Salem 502 line will be out Oct 18-30. The 500 kV Pleasant Valley-Loudon line will be out Sep 28-Oct 30 (Dominion). The Loudon-Gainesville 230 kV line (Dom) will be out June 11-Dec 28. The 500 kV Brighton-Doubs 5055 line will be out Oct 12-Nov 4. In Pepco, the 230 kV lines to Talbert (from Oak Grove, Morgantown and Burches) will be out Oct 26 to Nov 7.

Bal-Week 4 x 16 Price (\$/MWh)			
	10% Prob. Of Price Below	Expected Price	10% Prob. Of Price Above
PJM W: ESAI Forecast	\$37	\$42.00	\$48
<i>Forward Curve</i>		\$44.00	
NEPOOL: ESAI Forecast	\$39	\$45.00	\$52
<i>Forward Curve</i>		\$47.00 *	
Zone J: ESAI Forecast	\$46	\$53.00	\$61
<i>Forward Curve*</i>		\$55.00 *	
Zone A: ESAI Forecast	\$31	\$36.00	\$41
<i>Forward Curve</i>		\$38.00 *	

Key: Red =V High. Orange = High. Green = Moderate. Blue = Low.
* - estimated forward price

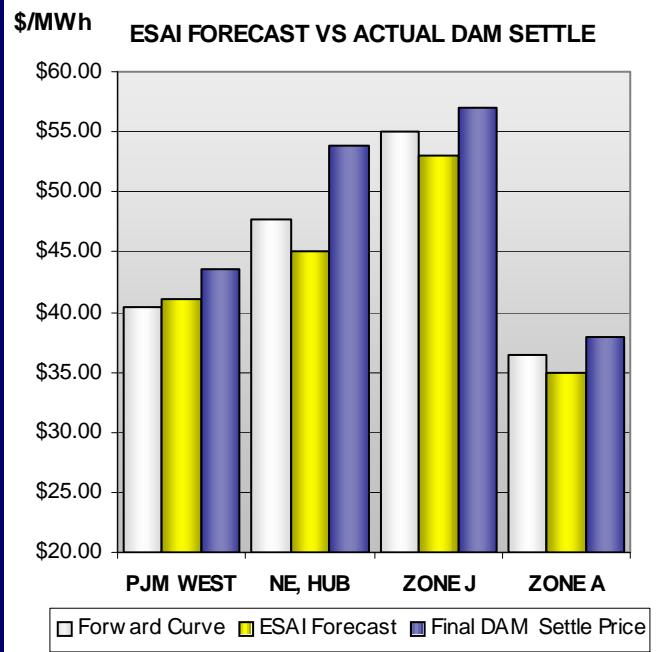


Bal-Week 4 x 16 Price Forecast Look-Back (\$/MWh)

(Forward Curve & ESAI Forecast prices on 10/19 for period 10/20 - 10/23)	Forward Curve	ESAI Forecast	Final DAM Settle Price
PJM WEST	\$40.45	\$41.00	\$43.56
NE, HUB	\$47.75	\$45.00	\$53.78
ZONE J	\$55.00	\$53.00	\$56.95
ZONE A	\$36.50	\$35.00	\$37.95

Comments:

- Power prices in line with expectation at PJM Western Hub.
- Gas prices continue to surge

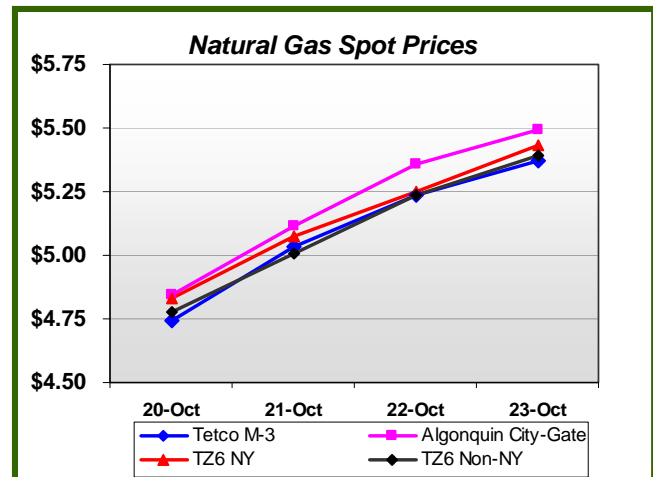
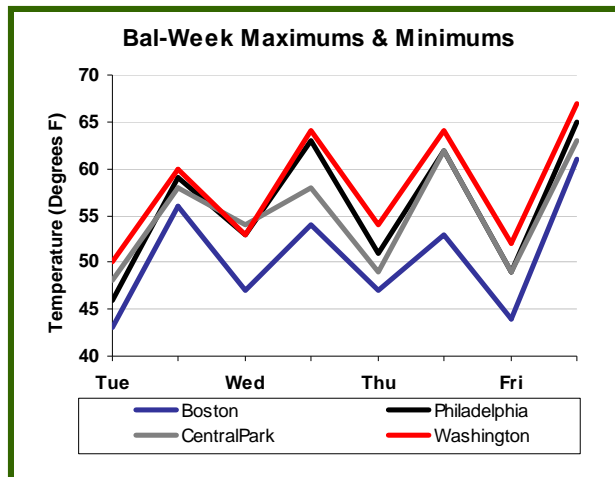


Fundamental Analysis

- High temps in Boston are forecast in the mid-50s through Thursday before rising to 61 degrees on Friday (57 degrees is normal). Highs in New York are expected in the upper 50s through Wednesday before rising to the low 60s through Friday. In Philadelphia and Washington D.C., highs are predicted near 60 degrees on Tuesday before remaining in the low-to-mid 60s for the rest of the week (60 degrees is normal in Philadelphia and 62 degrees is normal in D.C.).
- This week, PJM Mid-Atlantic estimates highest loads of 33,500 MW on Tuesday and Wednesday and lowest loads of 32,100 MW on Friday. ISO New England expects highest loads of 16,800 MW on Wednesday and lowest loads of 15,900 MW on Friday. NYISO predicts highest loads of 19,500 MW on Tuesday and lowest loads of 18,800 MW on Friday.
- Natural gas spot prices were trading in the range of \$5.19-\$5.23 MMBtu for Monday delivery to the Northeast.
- This week, PJM estimates 12,600 MW to be offline. ISO New England predicts 8,000 MW to be unavailable and NYISO expects 6,300 MW to be unavailable.
- D.C. Cook 1 nuclear reactor is offline after a fire shut down the unit on September 20, 2008. Three Mile Island 1, Seabrook 1, Beaver Valley 2, Salem 2, Braidwood 2 and Millstone 2 reactors are offline for scheduled refueling outages. Surry is operating at 85 percent output. North Anna 1 is offline. Clinton is ramping up and operating at 50 percent output after being offline when one of the two pumps that circulates water through the reactor shutdown. Susquehanna 1 and 2 are operating at 94 percent output.
- Montréal highs are forecast between 10 C and 12 C this week (10 C is normal).

* - estimate	OTC Power (\$/MWh)	Gas Price (\$/MMBtu)	CCGT Spark Spread @ 7,000 Btu/kWh	ST Spark Spread @ 10,500 Btu/kWh	GT Spark Spread @ 12,500 Btu/kWh
PJM	\$44.00	\$5.19	\$7.64	-\$10.54	-\$20.93
NE	\$47.00 *	\$5.23	\$10.39	-\$7.92	-\$18.38
Zone J	\$55.00 *	\$5.21	\$18.53	\$0.29	-\$10.13
Zone G	\$48.00 *	\$5.19	\$11.68	-\$6.48	-\$16.85
Zone A	\$38.00 *	\$5.19	\$1.68	-\$16.48	-\$26.85

Gas Hub Prices: PJM=Tetco M-3. NE=Algonquin. Zone J=TZ6 NY. Zones G & A=TZ6 Non-NY



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