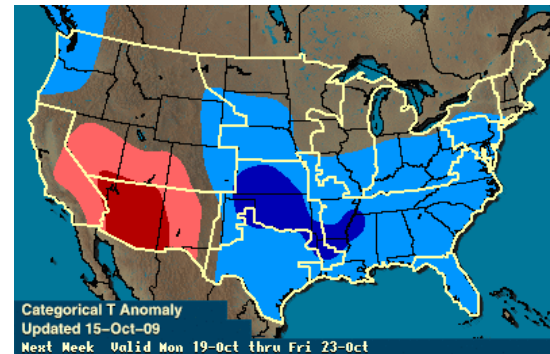


### Summary: Milder Weather Expected Next Week; Peak Loads Stable

Milder temperatures are expected to move into the Northeast next week. Peak loads are expected to soften slightly between Monday and Thursday as daily high temperatures increase through the week. Highs should top out only in the upper 60's by Thursday, however. Overnight lows are expected to moderate as well which should ease the early season heating that's been experienced this week. These warmer temperatures will mark a shift from this week's cooler weather and should soften natural gas prices in the Northeast (vis-à-vis basis pricing). Generator outages are expected to remain stable in PJM Mid-Atlantic region. Three Mile Island isn't scheduled to begin refueling until Oct 26, but may be ramping down early; it's operating at 89 percent currently. Byron 1 is back at 100 pct, while Peach Bottom 3 is still ramping up. In New England, generator outages are expected to increase by about 1,000 MW between next Monday and Wednesday. Despite stable shoulder month peak loads this increase in outages should firm on-peak heat rates as the week develops. We believe this could push Mass Hub prices above Western Hub prices (this spread finished trade on Thursday at a discount).

Next-Week 5 x 16 Price (\$/MWh)			
	10% Probability Of Price Below	Expected Price	10% Probability Of Price Above
<b>ESAI Forecast: PJM W</b>	\$39	<b>\$45.00</b>	\$52
Forward Curve:		\$48.80	
<b>ESAI Forecast: NEPOOL</b>	\$40	<b>\$46.00</b>	\$53
Forward Curve:		\$47.00	
<b>ESAI Forecast: Zone J</b>	\$46	<b>\$53.00</b>	\$61
Forward Curve:		\$54.00 *	
<b>ESAI Forecast: Zone A</b>	\$33	<b>\$38.00</b>	\$44
Forward Curve:		\$39.45	

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



### Transmission Analysis

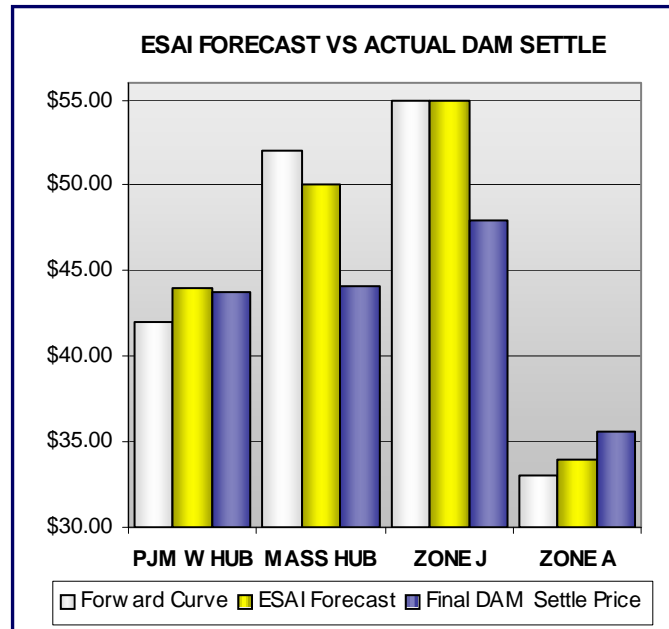
**New England:** The Manchester-Scovill Rk 345 kv line will be out Oct 21 - Nov 20. The 345 kV Seabrook to Timber line will be out Oct 18-23.

**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 AEP, the 765 kV Sullivan2 Rockpor2 line will be out Oct 19-22.

Next-Week 5 x16 Price Forecast Look-Back (\$/MWh)			
(Forward Curve and ESAI Forecast prices on 10/8 for period 10/12 - 10/15)	Forward Curve	ESAI Forecast	Final DAM Settle Price
<b>PJM W HUB</b>	\$42.00	<b>\$44.00</b>	\$43.76
<b>MASS HUB</b>	\$52.00	<b>\$50.00</b>	\$44.14
<b>ZONE J</b>	\$55.00	<b>\$55.00</b>	\$47.92
<b>ZONE A</b>	\$33.00	<b>\$34.00</b>	\$35.55

Comments:  
 - All power prices in line with expectations  
 - Western Hub to Mass Hub spread closed well below \$10/MWh as expected

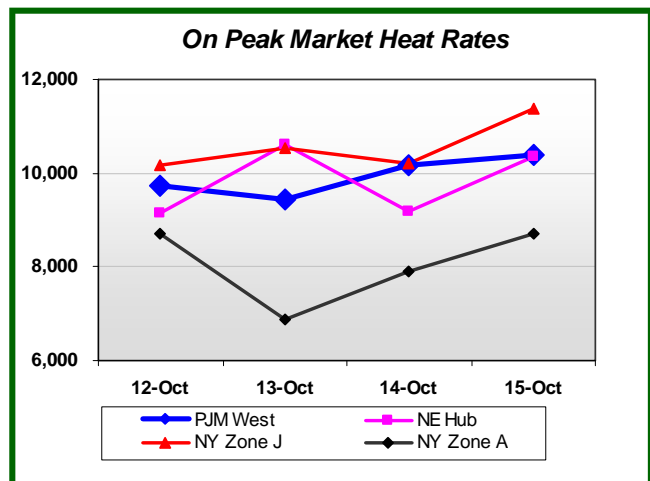
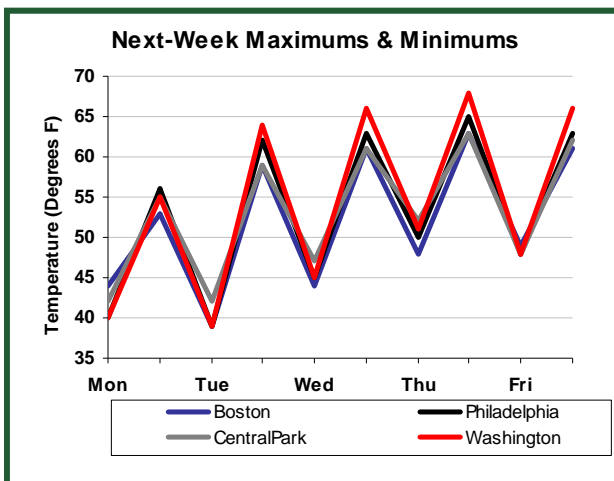


## Fundamental Analysis

- Next week, highs in Boston and New York are forecast to warm from the-mid 50s on Monday to near 60 degrees for the remainder of the week (60 degrees is normal in Boston and 62 degrees is normal in New York). In Philadelphia and Washington D.C., highs are expected in the mid-50s on Monday before rising to the low-to-mid 60s each day through Friday (64 degrees is normal in Philadelphia and 66 degrees is normal in D.C.).
- Between Monday and Wednesday, all control areas predict highest loads on Monday and lowest loads on Wednesday. PJM Mid-Atlantic estimates loads of 34,600 MW on Monday and 32,200 MW on Wednesday. ISO New England forecasts loads of 16,500 MW on Monday and 16,100 MW on Wednesday. NYISO expects loads of 19,900 MW on Monday and 19,400 MW on Wednesday.
- Delivered gas in the Northeast was trading between \$4.52/MMBtu and \$4.68/MMBtu for Friday delivery.
- Next week, ISO-NE estimates an average of 9,300 MW to be unavailable. PJM Mid-Atlantic predicts an average of 12,000 MW to be offline and NYISO expects outages of 6,200 MW.
- D.C. Cook 1 nuclear reactor remains offline after a fire shut down the unit on September 20, 2008. Millstone 2, Seabrook 1, Braidwood 2, Salem 2, and Beaver Valley 2 reactors are offline for refueling. Peach Bottom 3 is ramping up and operating at 73 percent output after being offline for refueling. La Salle 2 is offline. Surry 2 is operating at 92 percent output and Three Mile Island is at 89 percent. Susquehanna 1 and 2 are operating at 94 percent output.
- Montréal temps are forecast between 11 C and 12 C through Wednesday (12 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	\$48.80	\$4.52	\$17.17	\$1.35	-\$7.69
NE	\$47.00	\$4.63	\$14.59	-\$1.62	-\$10.88
Zone J	\$54.00 *	\$4.68	\$21.22	\$4.84	-\$4.53
Zone G	\$46.65	\$4.58	\$14.62	-\$1.40	-\$10.55
Zone A	\$39.45	\$4.58	\$7.42	-\$8.60	-\$17.75

Gas Hub Prices: PJM=Tetco M-3. NE=Algonquin. Zone J=TZ6 NY. Zones G & A=TZ6 Non-NY  
 Note: Gas Hub Prices are current and do not necessarily reflect expected prices for next week.



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