

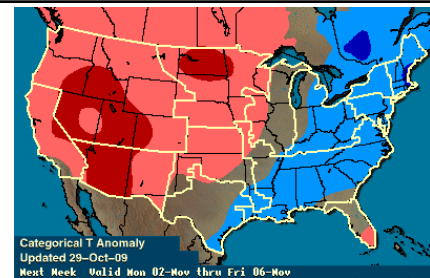
Summary: Increasing Generator Outages to Boost PJM WH Heat Rate's

Temperatures will swing from warmer than normal this week, to cooler than normal next week. Weather related heating demand won't increase in a meaningful enough way to shock electrical loads, however. Peak loads are expected to rise modestly. The Mid-Atlantic region can expect an increase in peak loads of about 2,000 MW, while NY may see an increase of 1,000 MW. This should boost heat rates in those regions and particularly in PJM where generator outages are expected to jump. A significant increase in generator outages in the Mid-Atlantic region will boost on-peak heat rates at Western Hub. Week over week, about 2,000 MW will become unavailable in eastern PJM; raising the regional total to around 14,500 MW. On-peak heat rates at PJM WH will likely rise to above 10,000 btu/kwh.

Next week also will mark the annual shift in the gas season. It is unclear, however, what affect this shift (from injection season to withdrawal season) will have on gas prices. We believe at least some of the recent rise in gas prices has been due to October voluntary shut-ins of production. It's possible that a marginal rebound in production (in November) combined with gas withdrawals from storage will depress November prices from their recent delivered levels above \$5.00/MMBtu. The 60 cent/MMBtu tumble in prices on Friday (for Monday delivery) may be the first signs of these combined effects. Gas price risk is high next week as a result

Next-Week 5 x 16 Price (\$/MWh)			
	10% Probability Of Price Below	Expected Price	10% Probability Of Price Above
ESAI Forecast: PJM W	\$39	\$45.00	\$52
Forward Curve:		\$47.00	
ESAI Forecast: NEPOOL	\$41	\$47.00	\$54
Forward Curve:		\$49.00	
ESAI Forecast: Zone J	\$46	\$53.00	\$61
Forward Curve:		\$55.00	
ESAI Forecast: Zone A	\$33	\$38.00	\$44
Forward Curve:		\$38.75	

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



Transmission Analysis

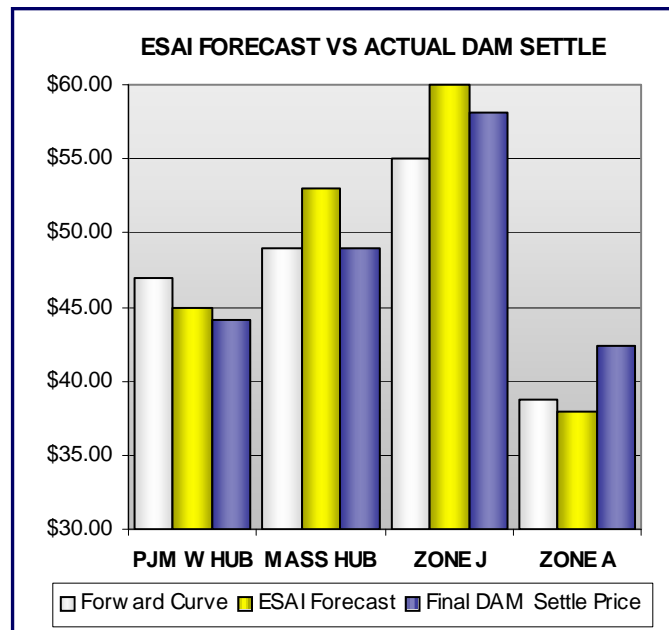
New England: The Manchester-Scovill Rk 345 kv line will be out Oct 21 - Nov 20. In CT, the Long Mt-Plumtree 345 kV line will be out Nov 1-13. The Plattsburgh Vt 115 kV NYISO tie will be out Nov 5-20.

New York: Work on the Chateaugay DC line will reduce Moses South flows by 350 MW from Sep 30 to Nov 9. The 340 MW Shoreham 1380 AC tie to CT will be Nov 2-5. Work on the Leeds-Plst Valley lines Nov 5 will reduce UPNY-ConEd flows by 1300 MW from 5100 to 3800 MW.

PJM: The 500 kV New Elroy - Whitpain line will be out Nov 2-11. The 500 kV Morrisville-Loudon line will be out Nov 2-Dec 24 (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.

Next-Week 5 x16 Price Forecast Look-Back (\$/MWh)			
(Forward Curve and ESAI Forecast prices on 10/22 for period 10/26 - 10/29)	Forward Curve	ESAI Forecast	Final DAM Settle Price
PJM W HUB	\$47.00	\$45.00	\$44.16
MASS HUB	\$49.00	\$53.00	\$49.01
ZONE J	\$55.00	\$60.00	\$58.07
ZONE A	\$38.75	\$38.00	\$42.38

Comments:
- PJM WH and Zone J in line with expectations

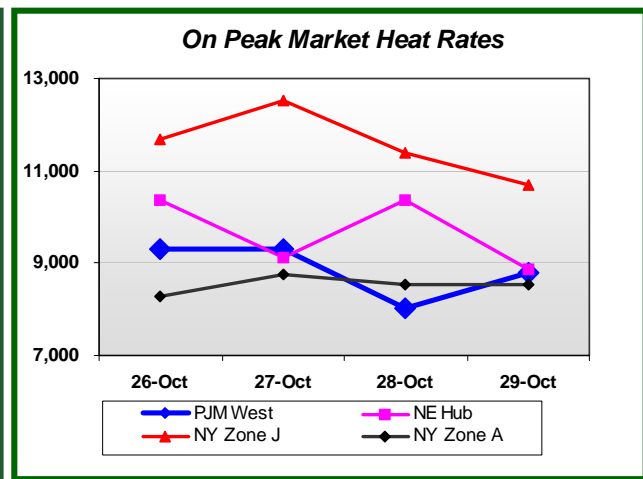
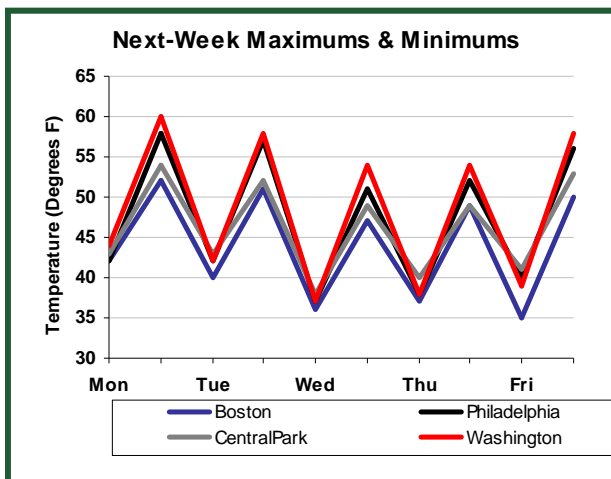


Fundamental Analysis

- Next week, highs in Boston are forecast in the upper 40s to low 50s every day (56 degrees is normal). In New York, highs are expected to reach 54 degrees on Monday before dropping to the upper 40s to low 50s through Thursday, and then rebounding to 53 degrees by Friday (57 degrees is normal). In Philadelphia and Washington D.C., highs are predicted in the upper 50s to 60 degrees through Tuesday and the low-to-mid 50s for the remainder of the week (59 degrees is normal in Philadelphia and 61 degrees is normal in D.C.).
- Between Monday and Wednesday, PJM Mid-Atlantic estimates loads of 34,400 MW on Monday and Wednesday and 34,200 MW on Tuesday. ISO New England predicts loads of 16,600 MW on Monday and Wednesday and 16,700 MW on Tuesday. NYISO forecasts loads of 20,300 MW on Monday and Tuesday and 20,400 MW on Wednesday.
- Delivered gas in the Northeast was trading between \$4.35/MMBtu and \$4.49/MMBtu for Friday delivery.
- Next week, ISO-NE estimates an average of 7,900 MW to be unavailable. PJM Mid-Atlantic predicts an average of 14,700 MW to be offline and NYISO expects outages of 7,300 MW.
- D.C. Cook 1 nuclear reactor remains offline after a fire shut down the unit on September 20, 2008. Three Mile Island 1, Millstone 2, Seabrook 1, Braidwood 2, Salem 2, and Beaver Valley 2 reactors are offline for refueling. Surry 2 is operating at 83 percent output and North Anna is offline due to a leak in the reactor's purification system. Susquehanna 1 and 2 are operating at 94 percent output.
- Montréal temps are forecast between 6 C and 8 C through Wednesday (9 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	\$47.00	\$4.39	\$16.25	\$0.88	-\$7.90
NE	\$49.00	\$4.49	\$17.58	\$1.88	-\$7.10
Zone J	\$55.00	\$4.44	\$23.91	\$8.36	-\$0.52
Zone G	\$50.25	\$4.35	\$19.82	\$4.60	-\$4.10
Zone A	\$38.75	\$4.35	\$8.32	-\$6.90	-\$15.60

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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