

Summary: Temperatures to Moderate Significantly

Wednesday's on-peak implied market heat rate at PJM WH shot to near 37,000 btu/kwh, shattering the post market expansion record of 27,000 btu/kwh set last July. The delays associated with nuclear maintenance this spring proved costly for consumers in PJM this week as early season heat pushed loads towards levels not typically seen until mid-summer. Next week, however, everything will be different. The remaining nuclear units in PJM's Mid-Atlantic region are finally expected to return to service. More than 5,000 MW of generation (most of it baseload) is expected to become available over the weekend. Susquehanna 1 & 2, Perry 1, and Surry 2 are all expected to begin starting up by Monday. PJM's Gen Out report suggests just 200 MW will be out of service next week (see chart on right). Electrical demand is also expected to drop precipitously over the weekend. Peak load in the Mid-Atlantic will drop from the lofty levels seen this week (48,000 to 55,000 MW) to just 38,000 MW next week. The combination of significantly lower loads and the return of a significant baseload generation will pressure power prices and heat rates next week. Delivered gas prices jumped this week but have already begun to ease; we expect further easing of 20 to 40 cents next week. Continued heat in the South should prevent gas prices from collapsing, however. Some upside risk exists later next week as this morning's weather forecast has increased temperature expectations by 2 to 4 degrees, and warmer temperatures are expected to return heading into next weekend.

Transmission Analysis

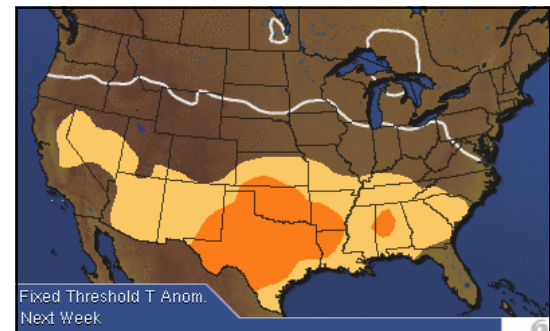
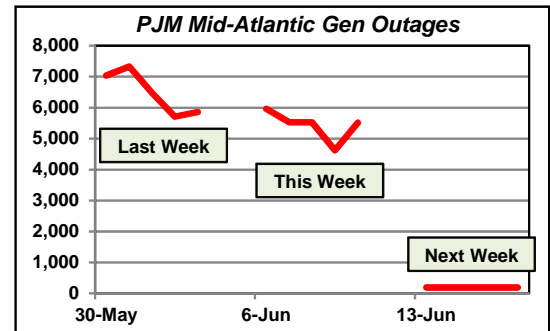
New England: 345 kV Outages: Norwalk 3403C line Mar 18-Sep 11, Mystic Station #372 line Mar 18-Jun 17, New Haven-West Rutland Jun 14; 115 kV Outage: Canal #121 Jun 10-17.

New York: 345kV outages: Frasers-Coopers Corners Jun 14 will reduce the Central East transfer limit by 500 MW, Leeds-Hurley Ave Jun 15-17 will reduce the UPNY-Coned transfer limit by 1000 MW, Edic-North Scotland Jun 16-17 will reduce the Central East transfer limit by 910 MW; 230 kV outages: The Beck-Packard line outage will reduce import limits from ONT by 250 MW for Jun 7-Dec 31.

PJM: 765 kV outages: Gavin-Flatlick May 18-Dec 18, Marysville-Dumont Jun 3-12, Dumont-Wilton Center Jun 17; 500 kV Doods-Cunningham Jun 6-7; 230 kV outages: Dickerson-Pleasant View Jun 13-15.

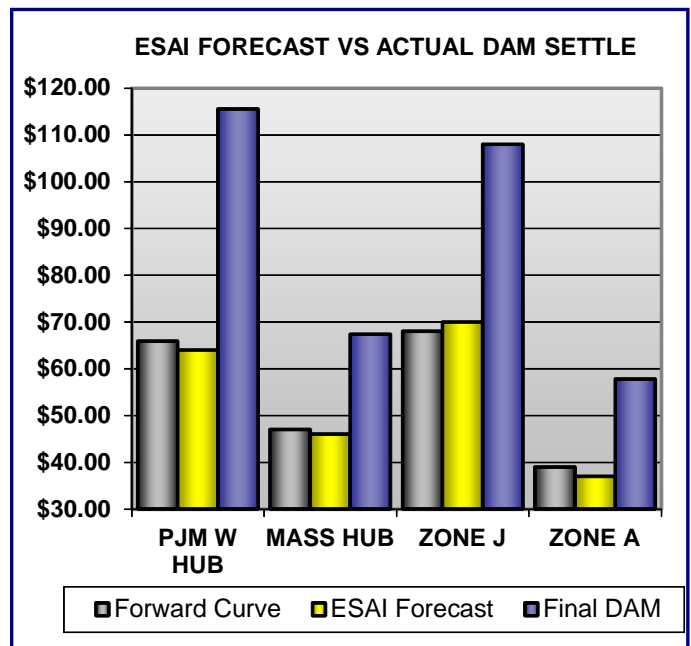
Next-Week 5 x 16 Price (\$/MWh)			
	10% Probability Of Price Below	Expected Price	10% Probability Of Price Above
ESAI Forecast: PJM W	\$49	\$56.00	\$64
Forward Curve:		\$58.00	
ESAI Forecast: NEPOOL	\$42	\$48.00	\$55
Forward Curve:		\$48.75	
ESAI Forecast: Zone J	\$59	\$68.00	\$78
Forward Curve:		\$65.00 *	
ESAI Forecast: Zone A	\$37	\$42.00	\$48
Forward Curve:		\$44.00	

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



Next-Week 5 x16 Price Forecast Look-Back (\$/MWh)			
(Forward Curve and ESAI Forecast prices on 6/2 for period 6/6 - 6/10)	Forward Curve	ESAI Forecast	Final DAM Settle Price
PJM W HUB	\$65.90	\$64.00	\$115.47
MASS HUB	\$47.00	\$46.00	\$67.39
ZONE J	\$68.00	\$70.00	\$107.94
ZONE A	\$39.00	\$37.00	\$57.82

Comments:
- Extraordinary heat takes Northeast by surprise

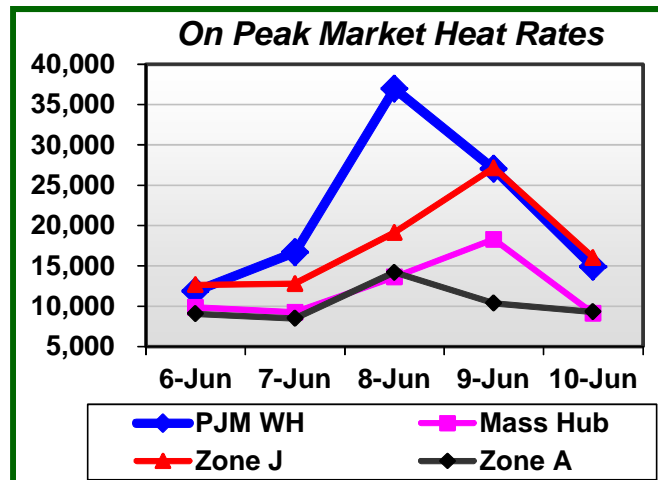
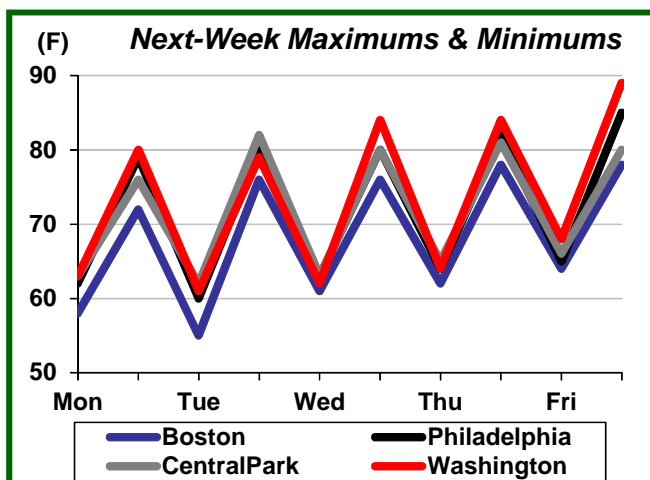


Fundamental Analysis

- Northeast temperatures next week will be mixed, below normal early in the week and at or above normal later. The Northeast is forecast to average 4 deg F below normal Mon-Wed. Boston and New York should warm to normal levels (75 in Boston, 79 in New York) for Thu-Fri. Philadelphia and Washington are forecast to move above normal for the last two days of the week with Philadelphia averaging 85 deg F (normal is 80) and Washington averaging 87 deg F (normal is 84).
- With temperatures much lower than this week loads will decline. PJM-E is forecast to be 39,700 MW Monday and in the 38,300-38,400 MW range Tue-Wed. New England should be steady Mon-Tue at 16,800-16,900 MW before increasing to 17,500 MW for Wednesday. New York is forecast to decrease steadily throughout the first half of the week. New York is expected to be 23,300 MW Monday moving down to 23,100 Tuesday and 22,700 MW Wednesday.
- Natural gas spot prices were trading in the range of \$5.20/MMBtu-\$5.81/MMBtu for Friday delivery to the Northeast.
- Next week, PJM estimates only 200 MW of generation to be offline in the Mid-Atlantic region. ISO New England expects about 3,400 MW to be unavailable for the week, a 700 MW *increase* from this week. NYISO expects less than 100 MW of generation offline.
- Ginna, Surry 2, Susquehanna 2 are offline for refueling and/or maintenance. Plants at reduced output: Susquehanna 1 (0% - turbine repairs). The following units are returning to service: The Perry 1 (28%), Quad Cities 1 (18%). Ginna, Surry 2, and Susquehanna 2 are expected to return to service before the end of the week.

* - 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	\$58.00	\$5.29	\$20.97	\$2.46	-\$8.13
NE	\$48.75	\$5.44	\$10.67	-\$8.37	-\$19.25
Zone J	\$65.00 *	\$5.63	\$25.59	\$5.89	-\$5.38
Zone G	\$61.00	\$5.44	\$22.92	\$3.88	-\$7.00
Zone A	\$44.00	\$5.34	\$6.62	-\$12.07	-\$22.75

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



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