

AEP Comments regarding existing (08-28-09) Pros/Cons:

Pro

1. add the wordsreflects “the average of” the view.....
2. This is a fact about the present forecast vintage, not a pro or con.

5. Appears to be a repeat of Pro#1.
- 6.
7. Appears to be a repeat of Pro#4.
8. How can 2009 be judged when this is the 3rd quarter of 2009?
9. Appears to be a repeat of #2. Do all forecasters provide their estimate of the probability of the forecast range occurring? Or is it some subset of BC survey group? Are these probabilities subjectively assigned by the forecasters?

Con

- Comment on item 8 of cons: After the experience of last year’s rapidly changing economy and likewise economic outlooks, it is very desirable to have as fresh of a forecast as possible. Two months delay to alter MEDC forecast to pattern the average BC will diminish the ability to be responsive to unexpected changes in the economy. Layered on this problem, is that there is an additional delay for the BC forecast to retrieve outlooks from the various forecasters and then distill those forecasts into the BC likely forecast.

- New Blue Chip is a national, U.S., forecast. BC implies nothing about the economic activity of the PJM service area. Only by some experimental allocation will the BC forecast be adapted to PJM. Ideally, any adaptation of the national forecast would adequately reflect regional differences due to such changes, i.e., these changes should not be socialized, as all regions will not be equally affected.

- New It is our understanding that MEDC uses analyst to review and comment on state and metro level forecasts. BC offers no explanation to its average of forecasts.

- New MEDC will be required to determine regional impacts and the sectors impacts. There is no guidance from BC to accomplish this development nor should it be PJM or the stakeholders’ obligation to determine the impacts.

- What type of recovery is reflected in the BC forecast? Does it reflect a U, V or W shaped recovery? The shape of the recovery is highly debatable. Does the BC forecast provide insight into the recovery and why the economy will grow? There are likely to be conflicting underlying rationale for each of various forecasts retrieved by BC and the distilled forecast will not provide a coherent reasoning for future growth patterns.