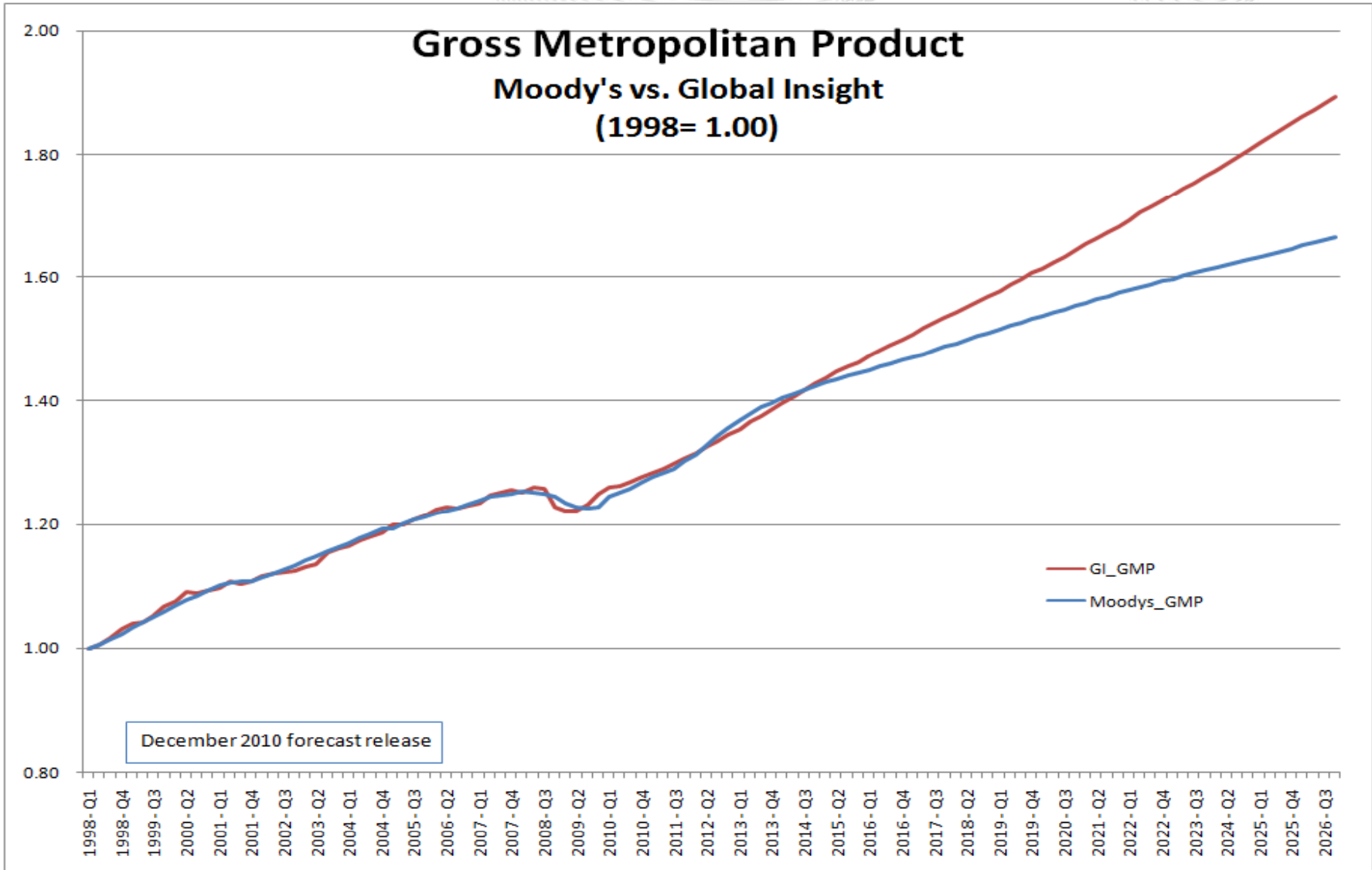


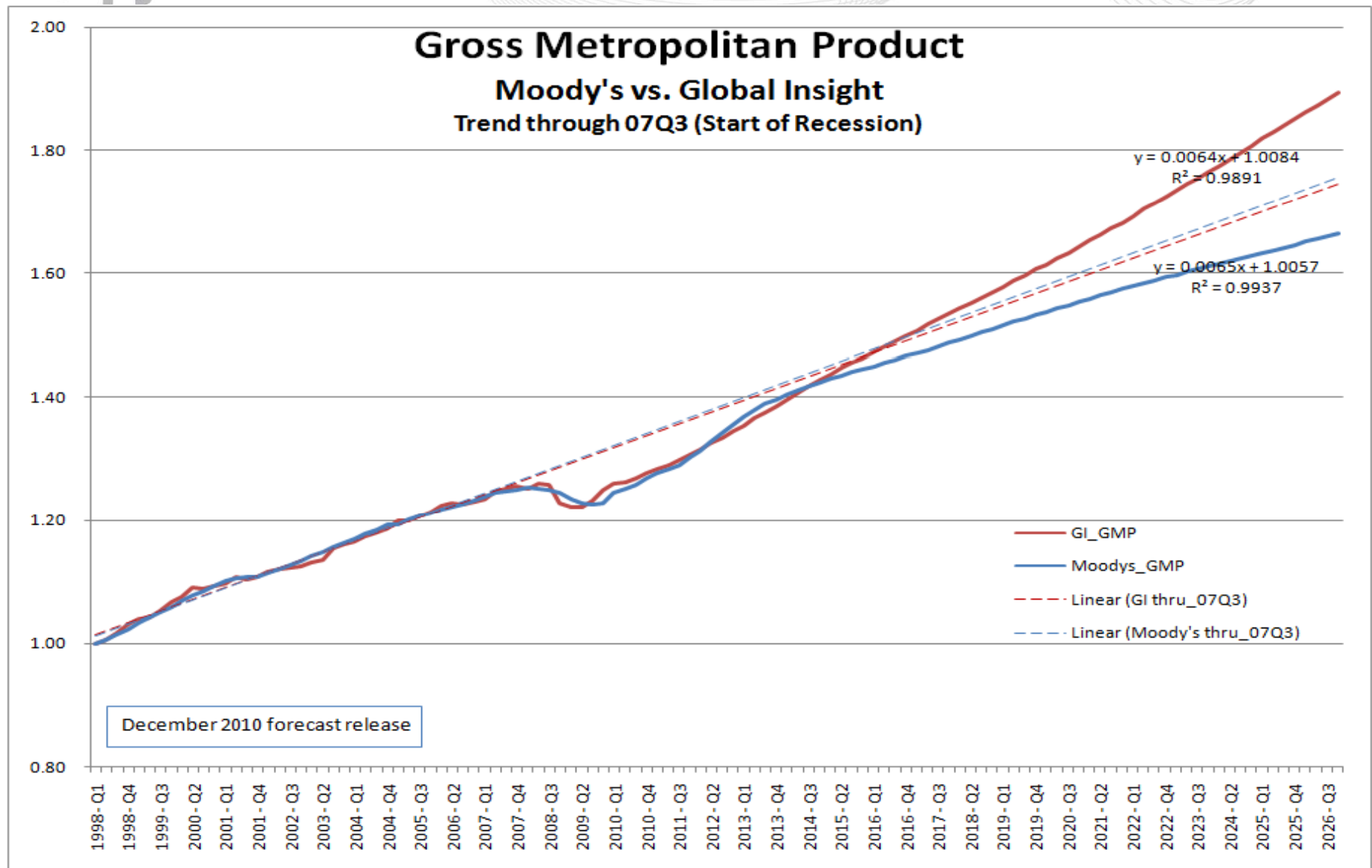
PJM Plan for Forecast Model Enhancements for 2012 Forecast

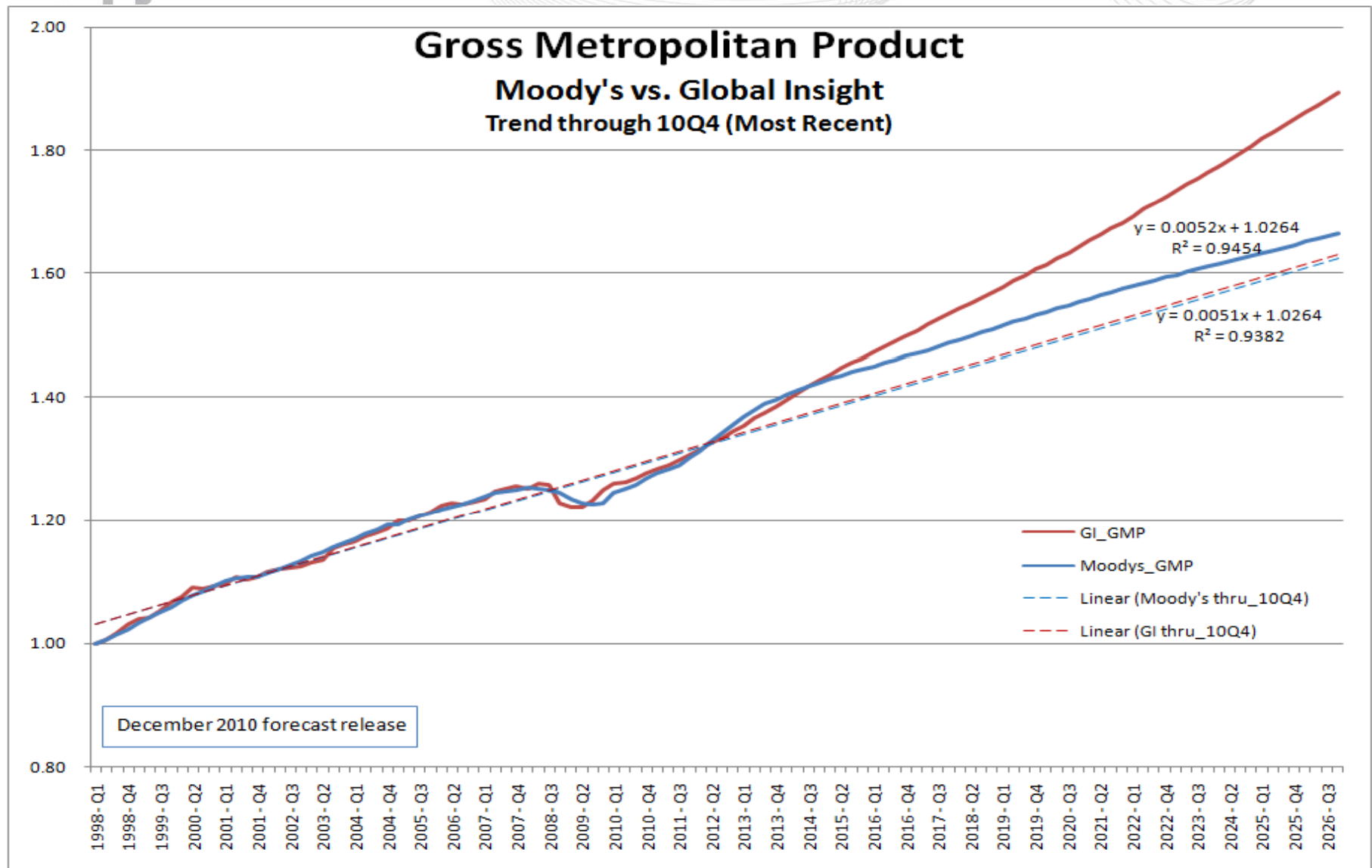
Planning Committee
September 8, 2011

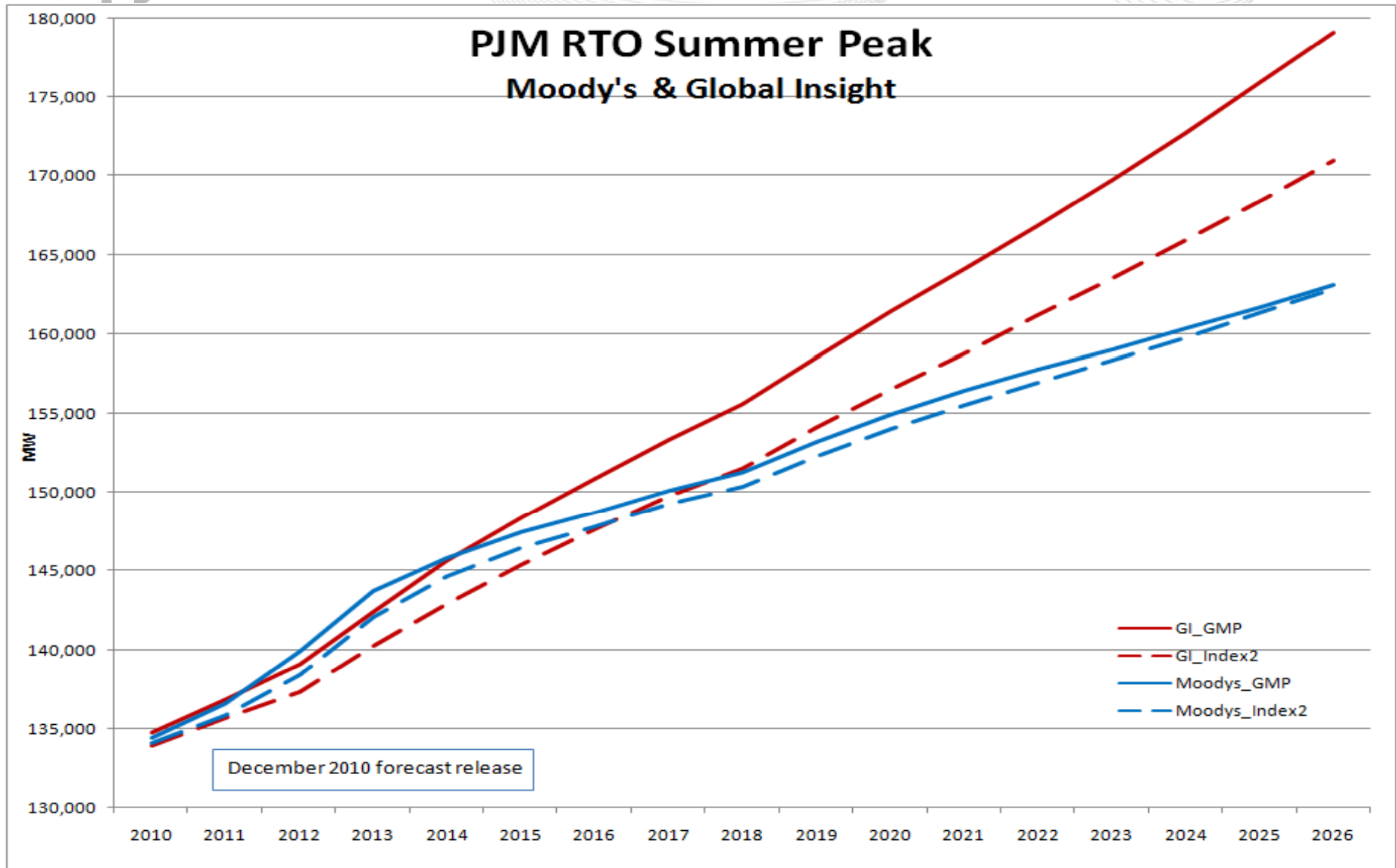
- **Implement the Itron-recommended Index2 variable**
 - Index2 uses six components instead of one. Anticipated to lead to more stable and accurate forecasts over time
 - Index2 is more zone-specific than Index1 (uses zones' customer class sales data to weight the six components)

- **PJM will continue to use only the Moody's Analytics economic forecasts to develop the economic driver for the 2012 load forecast.**
 - Concerns with Global Insight long-term growth rates
 - PJM will revisit pooled economic forecasts for 2013 load forecast









- **PJM will not add a price variable to the peak or energy models**
 - Test of price variable in four zonal models indicated:
 - Results were inconsistent and in some cases spurious (positive coefficients, unrealistic magnitude/elasticity)
 - Results were equally weak for summer peak load and net energy for load
 - Additional challenges of collecting historical data and forecasting prices

- **PJM will adopt Itron proposal for allocation of CP forecast where appropriate for use in planning studies (pending input from stakeholders on possible separate forecast allocation for RPM)**
 - Issue will be referred to MIC/MRC
 - PJM recommends an allocation based on zone's contribution to loss of load expectation (consistent with cost causation) for RPM