



**PJM Interconnection
Load Analysis Subcommittee
Minutes of the 282nd Meeting
Conference Call
August 25, 2009**

Members Present:

John Reynolds, Chairman	PJM Interconnection, L.L.C.
Randy E. Holliday	American Electric Power
Mark Bock	Baltimore Gas & Electric Company
Dennis Kelter	Commonwealth Edison (Exelon)
Dale Flaherty	Duquesne Light Company
William C. Moll	FirstEnergy
Kemm Farney	Pepco Holdings Inc.
Michael E. Prendergast	Public Service Electric & Gas
Ayana Wood	UGI Utilities, Inc.

Others Present:

Rich Geosits	Allegheny Electric Cooperative, Inc.
Kyle Neu	Cargill Power Markets L.L.C.
Arpita Kumari	Commonwealth Edison Company
Phil Diehl	Conectiv Energy Supply, Inc.
Dean Bickerstaf	Constellation Energy Commodities Group, Inc.
Dibyendu Das	Constellation Energy Commodities Group, Inc.
Mike Hurd	Dayton Power & Light Company
Hertzel Shamash	Dayton Power & Light Company
Allen Mitchem	Dominion Virginia Power
Bernita Clover	Duquesne Light Company
Eric Icart	FERC
Nick Bowden	Illinois Commerce Commission
Mark Hanson	Illinois Commerce Commission
James Wilson	Independent Consultant
Charles Vansant	Longview Power, L.L.C.
Michael Lee	Maryland PSC
Peng Wu	Maryland PSC
Steve Cochrane	Moody's Economy.com
Robin Heid	Moody's Economy.com
Steven Jeremko	New York State Electric & Gas
David Hamilton	Old Dominion Electric Cooperative
Yasmin Snowberger	PA PUC
Ron Chu	PECO Energy Company
Kathy McHugh	PECO Energy Company
John Goodenough	Potomac Electric Power Company
Dan Shi	Potomac Electric Power Company
David Vermeire	Potomac Electric Power Company
Michele Greening	PPL Energy Plus, L.L.C.



Bryan Mills	PSEG Energy Resources and Trade L.L.C.
Thomas Falin	PJM Interconnection, L.L.C.
John J. Slivka	PJM Interconnection, L.L.C.
Sree Yeddanapudi	PJM Interconnection, L.L.C.
Jennifer Warner-Freeman	PJM Interconnection, L.L.C.

1. MEETING ARRANGEMENTS AND INTRODUCTIONS

Mr. Reynolds started the meeting and asked for any additional agenda items.

2. STATEMENT OF LAS ASSIGNMENT

Mr. Falin reviewed the assignment from the Planning Committee. LAS is assigned to consider the proposal to use a consensus economic forecast to drive the PJM Load Forecast model and come up with a Pro/Con list which will be shared with the Planning Committee.

3. PRESENTATION OF PROPOSAL

Mr. Wilson presented his proposal in which a consensus economic forecast would be used in the PJM Load Forecast model. The consensus economic forecast would be based on a GDP forecast from Blue Chip. Mr. Wilson cited a number of studies and references that will be made available on the LAS website.

4. PRESENTATION BY MOODY'S ECONOMY.COM

Mr. Cochrane presented information on how Economy.com produces their macroeconomic model along with information about the alternative scenarios produced by Economy.com. He described how Economy.com would develop a scenario consistent with the consensus economic forecast from Blue Chip. Finally, Mr. Cochrane explained an approach where Economy.com and PJM could work together to come up with a desired scenario.

5. DISCUSSION

Members discussed the various options to come up with an economic forecast to drive the PJM Load Forecast Model. One suggestion was to use the Blue Chip forecast on a trial basis. A statement was made that there is no statistical difference between Moody's Economy.com and Global Insight and that a forecast needs to be understood in order to be used. Finally it was mentioned that going from GDP in the Blue Chip forecast to a GMP forecast is a big jump and this where Moody's Economy.com could help.



6. DEVELOPMENT OF PRO/CON LIST

The Pro/Con list attached at the end of the minutes was developed.

7. NEXT STEPS

Another LAS conference call is scheduled for September 8th to discuss the Pro/Con List.

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DMS Document Number: 615852



PJM Interconnection

Proposed: Replace Economy.com Baseline Forecast With Blue Chip Consensus U.S. GDP Forecast

	Pro	Con
1	Blue Chip Consensus reflects the views of a majority of forecasters.	All referenced studies examining accuracy of consensus vs. individual forecasts consider only current year and next year forecasts. Studies do not measure relative accuracy of long-term forecasts (years 2-15).
2	MEDC's forecast of US GDP growth exceeds the "Top Ten Average" of the Blue Chip forecasters for 2011, 2012, and 2013	No PJM company or ISO/RTO has adopted a consensus forecast approach.
3	Studies show that as a general matter, pooled forecasts such as the Blue Chip Consensus tend to be more accurate than those of individual forecasters	Blue Chip forecasts are not consistent with developing the 15-year monthly load forecast needed by PJM planning (Blue Chip provides quarterly values for years 1 and 2, annual for years 3-5; 5-year average for years 6-15)
4	Studies show that pooled forecasts tend to be unbiased; studies also show that individual forecasters' forecasts may show statistical bias toward optimism or pessimism	Averaging growth rates (as Blue Chip does) will mask the detail of individual year-to-year growth, which is especially important at turning points.
5	The Blue Chip Consensus is a highly regarded and oft-cited indicator of expected economic growth, and by pooling over 40 forecasts, will never be extreme.	The proposal would ask MEDC to do something they have not done before (fix the dependent variable then determine independent variables).
6	A median U.S. GDP growth forecast can be derived from the Blue Chip Consensus. MEDC's baseline is explicitly a "most likely", not a median, forecast.	Proposal would result in an economic forecast that is not a consistent scenario; the underlying factors of GDP growth can not be explained to stakeholders, commissions, etc.
7	The Blue Chip consensus, as an average of many forecasts, will be a more stable forecast over time.	Having MEDC produce a customized forecast to replicate Blue Chip GDP forecast may potentially introduce inconsistencies among GDP drivers.
8	MEDC has been one of the least accurate, if not the least accurate, of all the forecasters participating in the Blue Chip survey, based on forecasts of 2009 growth produced in 2007-2008.	Two month lead time needed to develop proposed customized forecast by MEDC. Multiple iterations between MEDC and PJM required, annually.
9	A majority of other forecasters assign very low probabilities to MEDC's forecast rates of growth for 2011 and 2012.	If MEDC is looking to PJM to develop inputs, PJM will be in the business of developing US macroeconomic forecasts.
10		To use Blue Chip forecast, legal issues related to replicating their proprietary forecast must be addressed.
11		LAS has an established practice of studying proposals before implementation. This proposal does not allow for that.
12		The proposal will lead to winners and losers at the regional level. Stakeholders will not have access to underlying data to validate the assumptions which determine this.
13		PJM would likely pursue a brief stakeholder process before deciding to implement the Blue Chip proposal, and to determine any guidance to provide on preparation of the Blue Chip scenario
14		Past forecasts have used MEDC's baseline US GDP scenario. Continuing to do so would maintain consistency with past forecasting.