

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Increase in Electric and Gas Rates
and for Changes in the Tariffs for Electric and Gas Service,
B.P.U.N.J. No. 14 Electric and B.P.U.N.J No. 14 Gas
Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1
and for Approval of a Gas Weather Normalization Clause;
a Pension Expense Tracker and for other Appropriate Relief**

BPU Docket No. _____

DIRECT TESTIMONY

OF

**DAVID M. DALY
VICE PRESIDENT - ASSET MANAGEMENT AND
CENTRALIZED SERVICES**

1 **PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

2 **DIRECT TESTIMONY**
3 **OF**
4 **DAVID M. DALY**
5 **VICE PRESIDENT - ASSET MANAGEMENT AND**
6 **CENTRALIZED SERVICES**
7

8 My name is David M. Daly. I am the Vice President - Asset
9 Management and Centralized Services for Public Service Electric and Gas Company
10 (PSE&G, Public Service, the Company, Petitioner). I am responsible for ensuring the
11 reliability of PSE&G's electric delivery assets and overseeing various functions that
12 support the provision of safe, adequate, proper and reliable electric delivery service.
13 My testimony addresses the Company's Electric Distribution business. First, I
14 provide an overview of the electric distribution service territory and equipment,
15 organizational structure, and staffing. I then discuss electric distribution capital
16 expenditures, the process PSE&G follows for asset management funding decision-
17 making and prioritization, and the annual operations and maintenance (O&M)
18 expenses associated with electric delivery. Finally, I discuss the Petitioner's electric
19 delivery performance and summarize PSE&G's track record of outstanding reliability
20 and the role of PSE&G's workforce in achieving that level of reliability. Schedule
21 DMD-1 describes my qualifications.

22 The Company's electric distribution rates were last reset in 2006. In
23 2006, PSE&G invested \$270.39 million in new electric distribution plant and utility

1 services equipment, which increased to \$285.49 million in 2007 and \$347.96 million
2 in 2008. For 2009 and 2010 our base investment plans (before Capital Stimulus
3 spending, which is discussed below) total \$282.03 and \$384.20 million, respectively.
4 These base investments, totaling over \$1.5 billion for the five-year period 2006-2010,
5 were and will be required in order to maintain and improve our safe, adequate, proper
6 and reliable service to customers, who are demanding more reliability from an aging
7 infrastructure.

8 Since January 2006, PSE&G has completed almost 34,000 residential
9 and 5,500 business customer new service connections (“cut-ins”). Over the five-year
10 period from January 1, 2003 through January 1, 2008 the number of PSE&G’s electric
11 delivery customer accounts rose by 170,000, an increase of 8.1%. In August 2006,
12 the Company experienced a new all-time peak of 11,108 megawatts, a 9% increase
13 over the previous peak of 10,189 megawatts in August 2002. While these peaks, of
14 course, reflect extreme weather conditions, our weather-normalized peak load
15 increased about 1% annually from 2002 through 2007. This historic growth is fully
16 reflected in our test year sales and revenues. However, the current economic climate
17 has resulted in reductions in new business and Kwh sales growth. As noted later in
18 my testimony, new business expenditures have declined since 2008, as housing and
19 economic activity continues to slow down.

1 **OVERVIEW**

2 The Company’s electric distribution service territory, covering an
3 approximate 2,600-square-mile corridor from Bergen to Gloucester Counties, includes
4 more than 230 urban, suburban and rural communities and over 4.7 million people
5 (over 2.1 million customers). Many areas in the service territory required significant
6 investment, including new substations, switching stations and circuits to maintain
7 service quality. Between 2006 and 2008, PSE&G installed 31 new primary (13kV
8 and 4 kV) distribution circuits, 13 new sub-transmission (69 kV and 26 kV) circuits,
9 one new 230/13-kV Class H Substation, two new and one reinforced sub-transmission
10 switching stations, and three reinforced Class H Substations.

11 The Company’s electric distribution business operates and maintains
12 over 38,845 conductor miles of primary distribution circuits, over 6,881 conductor
13 miles of sub-transmission circuits, approximately 819 thousand poles and
14 approximately 361 thousand transformers. The Company’s electric distribution
15 business operates 47 switching stations, 254 substations, 518 sub-transmission circuits
16 and 2,364 primary distribution circuits.

17 The men and women who physically construct, maintain and operate
18 our distribution system are based out of four operating divisions, (the Southern,
19 Central, Metro, and Palisades Divisions), each of which has multiple reporting
20 locations to minimize travel time. These employees have primary responsibility for

1 hands-on distribution and service activities. Personnel at these locations perform
2 engineering, construction, inspections, maintenance and repair, emergency response,
3 meter services, and administrative activities.

4 The balance of personnel in the electric distribution organization are
5 assigned to Asset Management and Centralized Services, which includes the Utility
6 Operations Services Support organization. These personnel include technical experts
7 and specialists in various areas, and are located at the General Office in Newark, the
8 Measurement Department in Springfield, and at the Edison Training and
9 Development Center and the Fleet Maintenance Center, also in Edison.

10 In addition, in 2008 a new organization was created reporting to my
11 position under the Director, Delivery Projects and Construction. This organization is
12 not specific to a particular geographic area or location, but engineers, manages and
13 executes all types of projects statewide. These projects can include any type of work,
14 currently primarily capital, and most employees report directly to that day's work site.
15 The organization includes a new "Electric Mobile Division" whose field workforce is
16 supplemental to those of the four geographic Divisions, and an expanded "Projects
17 and Construction Management" group that manages and oversees the work, and
18 ensures adherence to planned schedules and costs. This organization combines
19 flexibility and efficiency with strong planning and oversight to ensure a solid
20 execution of our expanded investment spending.

1 Schedule DMD-2 shows our current organizational structure and
2 staffing levels for Electric Distribution and includes a comparison with June 2006,
3 demonstrating substantial progress in building our workforce, which is also discussed
4 further below.

5

6 **ELECTRIC DISTRIBUTION CAPITAL EXPENDITURES**

7 Schedule DMD-3 shows the levels of capital expenditures by major
8 categories. The largest are:

- 9 • New Business (NB), the costs of connecting new customers or upgrading
10 existing services;
- 11 • Replace Facilities (RF), the costs of permanently replacing defective or aging
12 equipment; and,
- 13 • System Reinforcement (SR), the expenditures for increasing system capacity to
14 accommodate customers peak demand and capacity requirements and for
15 enhancing the system's ability to provide high levels of reliable service under
16 adverse conditions.

17 The fourth category shown on Schedule DMD-3 includes capital expenditures for
18 environmental purposes and support facilities such as buildings, vehicles, and similar
19 miscellaneous expenditures.

1 In the New Business category, expenditures peaked in 2008 at over
2 \$109 million, and are expected to decline by 6% in 2009 and drop an additional 12%
3 in 2010 to \$90 million, due primarily to the abrupt end of the housing boom as
4 activity continues to slow down reflecting less new construction in both the residential
5 and business sectors. The New Business category includes meters, street and private
6 area lighting, the service connections for residential and smaller business customers
7 (which are collectively funded as a “blanket” capital project as defined in Mr.
8 Kahrer’s testimony), as well as the specific connection costs for large customer
9 projects. Capital expenditures for new business are driven primarily by the number
10 and type of new customers that PSE&G is required to serve. The design and
11 engineering of the specific customer facilities are dictated by the type and size of the
12 customer, the detailed tariff provisions that specify the kind of service to be provided
13 as a standard, and the relevant electrical codes and engineering standards applied
14 using good utility practice. PSE&G’s tariff provisions include and reflect all of the
15 New Jersey Board of Public Utilities’ (BPU) regulations and requirements, including,
16 most recently, the “Smart Growth” provisions enacted several years ago. For lighting,
17 new installations are provided under individual sales agreements with a standard tariff
18 formula calculating a customer-specific charge in order to recover the costs of that
19 project. The choice of design and fixtures is made by the customer from a PSE&G
20 catalogue.

1 Expenditures to replace facilities are largely driven by the need to
2 maintain the integrity of the aging infrastructure and to replace any large equipment
3 failures that may occur. These expenditures averaged \$94 million annually over the
4 2006-2008 period and are expected to average \$104 million for 2009-2010 in the base
5 plan. This category includes expenditures for general capital replacement, as well as
6 permanent replacement of damaged equipment following storms. In addition, we
7 have programs designed to fund the ongoing work of replacing specific types of
8 equipment such as capacitors, street lights, poles; underground facilities such as
9 cables, Inside Plant and Substation facilities; and, equipment, such as transformers
10 and breakers, and replacement meters. The largest expense is the replacement of
11 underground facilities because of their design and number of customers impacted, the
12 nature of the work, the age of the system, and the fact that a large failure can
13 necessitate replacement of a substantial amount of cable and related equipment in
14 order to restore a network in a dense urban environment. For example, in 2008 the
15 replacement of underground facilities represented over \$46 million of the \$106
16 million total. Asset Management maintains a detailed equipment database
17 management system that we use to monitor the inspection, maintenance and material
18 condition of our facilities so that we can anticipate the need to replace equipment
19 whose performance is deteriorating. In this way we can prioritize our funding by type
20 of equipment. In general, the objective of the Replace Facilities spending is to

1 maintain the distribution system's performance and to restore it to its design
2 configuration following storm damages or equipment failures.

3 System Reinforcement expenditures, in contrast, are designed to allow
4 for increased stress upon the system reflecting the cumulative effects of past and
5 projected growth in peak demand, while also ensuring that we continue to meet our
6 reliability goals and design criteria. These expenditures are dominated by the large
7 'lumpy' investments in facilities such as new substations. The electric distribution
8 planning process ensures that capacity will be sufficient to supply the maximum peak
9 electric demand of present and future customer loads. Beginning with the substation
10 and distribution feeder forecast, and continuing through the completion of load versus
11 capacity studies, the planning process is an integrated effort to project anticipated
12 peak loads, identify feeder, station and/or supply overloads, and specify and provide
13 the most effective measures of relief. An annual substation and feeder load forecast
14 provides the basis for this planning effort. For PSE&G's distribution feeders, a
15 tabulation and logical analyses of data projects loads for a minimum of two years.
16 For substations, the preparation of the forecast involves a complex process of
17 analysis, trending, weather normalization, and accounting which, when combined
18 with long range econometric assumptions, results in a ten-year load forecast for each
19 of PSE&G's substations and switching stations. From this forecast base, system
20 overloads are identified through feeder and substation peak load and capacity

1 analyses, and relief measures are formulated. To complete the process, costs and
2 benefits of the plans and alternatives are identified and calculated before proceeding
3 to the project review and approval stage.

4 System Reinforcement expenditures totaled \$44 and \$49 million in
5 2006 and 2007, respectively. They then increased to \$84 million in 2008 and are
6 expected to dip to \$54 million in the base plan for 2009 before rising to \$130 million
7 for 2010. These variations are driven by the size and timing of large projects, which
8 must typically be planned well in advance and take years to complete. In 2008 for
9 example, almost 40% of the total came from ten large projects. System
10 Reinforcement also includes the work done to improve our “poorest performing”
11 circuits. These circuits are defined as the 4kV and 13kV circuits in each division with
12 the poorest combined performance in terms of number of outages and total customer
13 hours of interruption. By continuously improving the circuits which are at the bottom
14 each year, PSE&G aims to raise our overall performance as well as reduce the risk of
15 customers experiencing repeated outages and below-average performance. Other
16 system reinforcement funding areas include pole reinforcements, animal guards, our
17 reliability improvement program, and the replacement of old large 26/4 kV
18 transformers, which, while increasing capacity, will also dramatically reduce energy
19 losses and the risk of equipment failure. Spending on this last category was

1 undertaken as an initiative in support of New Jersey's Energy Master Plan (EMP) to
2 reduce energy use, and totaled \$4.59 million in 2008.

3 Expenditures for the remaining category of capital expenditure rose
4 from \$38 million in 2006 to \$49 million in 2008, and are planned to be reduced to \$27
5 million for 2009 before rising to \$55 million in 2010. This area includes vehicles,
6 buildings, environment, and general equipment and tools. Overall, the five-year total
7 of base capital expenditures for Electric Distribution and Utility Operations Services
8 is over \$1.5 billion for the period 2006-2010.

9

10 **CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT**
11 **(CESI) PROGRAM**

12

13 On April 16, 2009 PSE&G received approval from the BPU of a
14 program to accelerate investments in energy infrastructure estimated to create enough
15 additional work to employ over 900 people over the next two years. PSE&G
16 proposed the plan in January 2009 in response to Governor Corzine's call for
17 increased infrastructure spending to boost New Jersey's economy. Many of the
18 investments being planned are typical of the normal work the utility performs.
19 However, because of the funding and cost-recovery mechanism approved by the
20 Board, we will be able to accelerate the work and do it on a more proactive basis. On
21 the electric side, our current CESI plan totals about \$420 million, of which, \$353
22 million is planned for 2009-2010.

1 The largest component of funding provided by the CESI will be used to
2 accelerate facility replacement work, including aging underground cables, network
3 transformers and relays. In addition, we will be upgrading overhead cable,
4 transformers and substation equipment.

5 For example, in older residential developments with underground
6 service (buried underground distribution or BUD), we plan to replace 2.4 million feet
7 of cable and 4,000 transformers. We will replace 235,000 feet of low pressure gas-
8 filled cable, and 160 26kV oil circuit breakers. We will also replace 200 transformers
9 and network protectors and 1,500 relays at a cost of \$25 million. Following the
10 successful completion of the network monitoring project at Newark Liberty
11 International Airport that we performed in collaboration with the Electric Power
12 Research Institute, we plan to spend \$10 million on similar projects in Trenton,
13 Paterson, New Brunswick and Newark. In the street light area, we have a \$50 million
14 project to replace over 96,000 old mercury vapor lamps with a more efficient
15 induction fluorescent lamp design. This project will not only address the undesirable
16 environmental aspects of mercury vapor lights, but will also result in reduced failure
17 rates and dramatic reduction in energy use, which is consistent with the goals of the
18 EMP.

19 PSE&G developed the list of CESI projects through a multi-step
20 process. We first reviewed the items that were deferred from the project portfolio we

1 initially submitted to the Utility Capital Review Board in 2008. In other words, these
2 were projects that had been evaluated through the Investment Evaluation System
3 (IES) as having value, but were not sufficiently critical high priority to be funded in
4 2009 or 2010. The IES and its role in the capital spending prioritization process are
5 discussed below. We also looked at the items we had initially deferred in response to
6 the sharp downturn in the economy and the liquidity crisis of late 2008. We applied
7 the criteria for a “qualified project” and developed our initial list of recommended
8 projects. As we proceeded through the review process with the BPU Staff and
9 Division of Rate Counsel (Rate Counsel), some of the criteria were revised in
10 response to input from the BPU Staff and Rate Counsel concerning the types of
11 projects and we modified the overall program accordingly.

12

13 **ASSET MANAGEMENT FUNDING DECISIONS AND PRIORITIZATION**
14 **PROCESS**

15

16 The Utility Investment Request and Capital Review processes are
17 described in Mr. Kahrer’s testimony. Electric Asset Management, under my
18 supervision, maintains and applies the PSE&G IES. IES has been the primary system
19 utilized to provide selection guidance for capital work plans and budget development
20 since 2004 for both electric and gas distribution.

21

22 PSE&G utilizes a structured process which quantifies, in many different
dimensions, the business value associated with each utility expenditure being considered

1 for possible work planning and budget inclusion. These dimensions are weighted in a
2 manner consistent with the approach used by PSE&G in calculating other business
3 performance metrics, most notably in calculating the metrics that are part of the
4 Balanced Scorecard model described by Mr. LaRossa. Inter-utility benchmarking
5 processes are applied to assist in the setting of many of the Balanced Scorecard target
6 levels used in value quantification within IES. Additional evaluation factors are applied,
7 including whether the project is legally mandated, its operational requirements and the
8 extent to which the project supports the continued provision of safe, adequate, proper
9 and reliable utility service. All of these elements are considered through a computer-
10 based calculation, utilizing advanced mathematical optimization algorithms to determine
11 the best possible projects to pursue. The risk associated with not funding and
12 performing each proposed investment is also quantified through a structured and
13 standardized methodology, enabling the potential adverse consequences of work not
14 performed to be objectively considered as part of the IES process. Outputs of this
15 system are then evaluated, through rigorous management scrutiny and judgment, to
16 determine the optimal portfolio combinations of work to be resourced and performed, so
17 that value is optimized for the available level of resources within the electric and gas
18 businesses.

1 **OPERATION AND MAINTENANCE**

2 Electric distribution O&M expenses include the routine day-to-day
3 activities of running the electric system which is primarily the work conducted in the
4 field by the four Electric Divisions plus the Electric Mobile Division and the Projects
5 and Construction Management Group. In 2008, the electric distribution O&M
6 expenses totaled \$163.70 million (See Schedule DMD-4). Of this total, the largest
7 specific categories were overhead facilities, \$47.90 million, and underground lines,
8 \$23.43 million. For 2009, the current economic and financial downturn and revenue
9 shortfall has forced us to seek to reduce expenses to a planned target of \$151.69
10 million, with the largest economies in buildings, rents and other facility costs. Severe
11 restrictions have been placed on travel as well as general office and business
12 expenses.

13 Electric distributions O&M work encompasses all of the extensive
14 inspection and maintenance (I&M) programs, as described in detail in PSE&G's
15 Annual System Performance Report provided to the BPU. In addition, major
16 activities include storm restoration, routine repairs, troubleshooting, mark-outs of
17 underground facilities, meter and streetlight repairs and replacements, connecting and
18 disconnecting active and inactive customers, shut-offs and restorations of customers,
19 and responding to police/fire emergency calls and customer complaints. In the I&M
20 programs, the largest single item is the vegetation management ("tree trimming")

1 program, which is conducted using outside contractors. BPU regulations require that
2 all circuits must be inspected, and if necessary, trees are trimmed at least once every
3 four years. Another key I&M program on a four-year cycle is load checks on all
4 underground transformers. All network protectors are inspected on a two-year
5 schedule, which includes both a visual and manual operation test. Automatic transfer
6 switches are inspected annually, as are all feeder and tie reclosers and interruptors.
7 Overhead lines are inspected on a four-year cycle using both visual and infrared
8 methods.

9 For the critical plant inside the substations, where a large number of
10 customers could be impacted by a failure, the protective relays operating the 26kV oil
11 circuit breakers are inspected and maintained on a four-year cycle, as are the circuit
12 breakers themselves. Switching stations and substations undergo infrared inspections
13 annually to identify “hot spots” indicating a need for preventative maintenance or
14 replacement. The batteries at these stations, which provide back-up power, are also
15 inspected and maintained annually.

16 Also included in O&M are the costs of training, which is a very critical
17 area today given the turnover being experienced due to retirements of experienced
18 skilled workers and the significant hiring of new employees, many of whom are new
19 and in apprenticeship classifications. For many job assignments or categories, it takes
20 up to two years of training and work experience before an apprentice or new

1 employee is ready to be a fully qualified contributor. In order to provide focus in this
2 area, the required training courses in the general areas of environmental, safety, and
3 ‘urgent response’ are tracked on the electric Balanced Scorecard in terms of the
4 number of people attending a course. To provide some perspective on the training
5 required, there are over 50 courses available in these three general areas, and in 2008,
6 we completed over 16,000 person-courses, or an average of approximately eight
7 courses for every one of our 2,000 union employees.

8 In addition, electric distribution spends over \$1 million funding research
9 and development (R&D) aimed at improving performance and lowering costs,
10 primarily with the Electric Power Research Institute (EPRI) in collaborative industry
11 research programs. In addition to “traditional” distribution activities, R&D-funded
12 areas include Electro Magnetic Field (EMF), Occupational Health and Safety, Power
13 Quality, “Green Circuit,” “Smart Grid” issues, and Electric Vehicles.

14

15 **PERFORMANCE**

16 PSE&G has a strong track record of outstanding reliability, and we have
17 continued to build upon that in recent years. PSE&G is a participant in PA
18 Consulting Group’s national utility benchmarking program and has been recognized
19 as the “Nation’s Most Reliable Utility” in 2005 (for 2004 performance), 2006, and

1 again in 2008. PSE&G has received the regional award for the most reliable utility in
2 the Mid-Atlantic region consistently every year since 2002 (for 2001 performance).

3 In terms of the industry standard measure of System Average
4 Interruption Frequency Index (SAIFI)¹, PSE&G has consistently ranked in the top
5 quartile (25%) of the PA Consulting Group's utility benchmarking national panel,
6 averaging below 0.70 from 2004 through 2008. In fact, PSE&G ranked in the top
7 decile (10%) of utilities' results in 2007 (Schedule DMD-5).

8 The other key electric industry standard reliability measure is how
9 quickly customers are restored after an outage, captured as Customer Average
10 Interruption Duration Index (CAIDI).² Again, PSE&G has consistently had excellent
11 performance, ranking in the top quartile (25%) nationwide from 2004 through 2007,
12 and in the top decile (10%) in 2007. PSE&G averaged a normal restoration time
13 (excluding major events) of 67 minutes from 2004 through 2008.

14 The other areas of special focus for PSE&G is public safety and our
15 response to major storms and emergencies. Once again, PSE&G is widely recognized
16 for its outstanding performance in responding to large scale system emergencies and
17 working in close collaboration with State, County, and Municipal organizations, as
18 well as the BPU.

¹ SAIFI = total number of extended customer interruptions (over 5 minutes) divided by the number of customers, excluding major events, such as storms. The lower the measurement, the better the performance.

² CAIDI = total number of minutes for extended interruptions divided by the number of extended interruptions.

1 One example would be PSE&G's excellent response to the damage and
2 subsequent outages caused by a line of severe thunderstorms that affected PSE&G's
3 entire service territory during the late afternoon and evening of June 10, 2008. Nearly
4 240,000 customers experienced extended interruptions caused by these severe
5 thunderstorms, some of which contained wind gusts of 58 and 69 mph. Through
6 effective training, planning and utilization of personnel, approximately 75% of these
7 customers were restored within 24 hours, and approximately 95% within 48 hours.
8 Effective communications were established with Municipal, County, State and
9 Federal officials as well as the BPU during the restoration efforts. The BPU Staff
10 Report to the Board dated October 16, 2008, regarding this extraordinary storm event,
11 stated in part that "PSE&G's preparations, repairs and restoration efforts in regard to
12 these interruptions were reasonable and exhibited an appropriate degree of
13 preparedness and response."

14 In addition, PSE&G is frequently called upon to help with other
15 utilities' customers when they are hit by major emergencies, by providing "mutual
16 aid" assistance. For example, PSE&G provided emergency assistance to Entergy in
17 Texas in September 2008 as a result of Hurricane Ike, and provided similar help to
18 National Grid in Massachusetts in December 2008 as a result of a devastating ice
19 storm. All of the costs of this support are ultimately borne by the requesting utility.

1 Our performance ultimately depends upon our workforce, both
2 management and union. Since June 2006, PSE&G has significantly increased the
3 total electric distribution workforce. The number of Union employees has increased
4 by 122, most of who are positioned in the new Mobile Division. The MAST levels
5 have risen by 101, primarily in the areas of technical specialists and engineers, as well
6 as in Projects and Construction Management (Schedule DMD-2). We are continuing
7 to hire to fill open positions today. In addition, we have reinforced our traditional
8 focus on employee training and development by adding specific metrics to our
9 Balanced Scorecard to ensure that all employees, especially new ones and those in
10 apprenticeship programs, get the training they need to ensure that they work safely
11 and productively.

12 The safety of our employees is a primary concern and we have made
13 strenuous efforts to reduce the amount of injuries and accidents experienced by our
14 employees. In addition, safety in PSE&G business practices, the safety of our
15 customers, and a continuous effort to make safety improvements to our distribution
16 system, are a focus of all who work in our business. As noted in Mr. LaRossa's
17 testimony, employee involvement, particularly the participation of our union
18 representatives, has been key to the development of our safety practices and
19 procedures.

1 **CONCLUSION**

2 I believe that the facts presented by the Company demonstrate that this
3 base rate case is necessary and justified, and that the rate relief requested should be
4 granted. With respect to electric delivery in particular, the requested relief will allow
5 PSE&G to continue to provide outstanding service at just and reasonable rates.

6 This concludes my testimony at this time.

1 **PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

2 **PROFESSIONAL QUALIFICATIONS**
3 **OF**
4 **DAVID M. DALY**
5 **VICE PRESIDENT – ASSET MANAGEMENT AND**
6 **CENTRALIZED SERVICES**
7

8 I was named Vice President - Asset Management and Centralized
9 Services with Public Service Electric and Gas Company (PSE&G) in May 2009. In
10 this role, I am responsible for ensuring the reliability of the utility's electric delivery
11 assets, and overseeing various functions that support the provision of safe, adequate
12 and reliable service. I oversee PSE&G's electric delivery capital and O&M spending
13 plans; electric delivery planning; asset reliability; engineering and project
14 management; strategic use of business systems; transmission business strategy; fleet
15 operations and supply chain support. Prior to my current position, I had been Vice
16 President – Energy Acquisition and Technology, responsible for leading PSE&G's
17 implementation of a new customer information system and for managing PSE&G's
18 BGS, BGSS, and retail settlement processes.

19 I hold a Bachelor of Engineering degree in electrical engineering from
20 the State University of New York, Maritime College, and a Master of Business
21 Administration degree from Rutgers Graduate School of Management. I joined
22 PSE&G in 1983 and have held a variety of positions in power generation, electric

1 distribution operations, utility operations support services, transmission planning, and
2 corporate strategy. Earlier in my career, I was a utility consultant at Metzler &
3 Associates, and UMS Group, where I focused on performance management and
4 benchmarking, process reengineering, and competitive strategy development.

5 I serve on the Board of Directors for the Independent College Fund of
6 New Jersey, a non-profit organization focused on the advancement of independent
7 higher education and programs to assure access to diverse educational opportunities.

PSE&G Electric Distribution Permanent Staffing

	April 2009 Actual			June 2006 Actual		
	Mast	BU	Total	Mast	BU	Total
<u>Electric Operations</u>						
<u>Electric Operations Distribution</u>						
Southern Division	59	444	503	62	446	508
Central Division	57	404	461	59	400	459
Metro Division	57	383	440	55	378	433
Palisades Division	54	375	429	57	364	421
Total Electric Operations Distribution	227	1,606	1,833	233	1,588	1,821
<u>VP Electric Operations</u>	13		13	21		21
TOTAL ELECTRIC OPERATIONS	240	1,606	1,846	254	1,588	1,842
<u>Asset Management & Centralized Services</u>						
Electric Mobile Division	38	81	119	N/A	N/A	N/A
Projects & Construction Mgmt	50	4	54	N/A	N/A	N/A
Asset Management, Reliability & Process Staff	135	-	135	93		93
Total Asset Management	223	85	308	93	-	93
<u>Utility Operations Support</u>						
Fleet	19	192	211	22	182	204
Materials & Logistics	24	100	124	18	91	109
Training, Measurement & Other	71	-	71	89	-	89
Total Utility Operations Support	114	292	406	129	273	402
TOTAL ASSET MANAGEMENT & CENTRALIZED SERVICES	337	377	714	222	273	495
TOTAL ELECTRIC DISTRIBUTION PERSONNEL	577	1,983	2,560	476	1,861	2,337

PUBLIC SERVICE ELECTRIC & GAS COMPANY
ELECTRIC DISTRIBUTION CAPITAL ADDITIONS - ACTUAL AND PLANNED

	(Millions)								
	Actual 2006	Actual 2007	Actual 2008	Base Plan 2009	Stimulus 2009	Plan Total 2009	Base Plan 2010	Stimulus 2010	Plan Total 2010
New Business	\$99.92	\$107.98	\$109.43	\$103.02	\$0.00	\$103.02	\$90.40	\$0.00	\$90.40
Replace Facilities	\$88.14	\$88.97	\$105.85	\$98.75	\$61.90	\$160.65	\$108.70	\$164.90	\$266.15
System Reinforcement	\$44.20	\$48.64	\$84.09	\$53.76	\$36.00	\$89.76	\$130.40	\$89.10	\$212.18
Vehicles, Environmental, Support Facilities, etc.	\$38.13	\$39.90	\$48.59	\$26.51	\$0.60	\$27.11	\$54.70	\$0.08	\$54.78
TOTAL	\$270.39	\$285.49	\$347.96	\$282.03	\$98.50	\$380.53	\$384.20	\$254.08	\$623.51

PUBLIC SERVICE ELECTRIC & GAS COMPANY

**ELECTRIC DISTRIBUTION
OPERATIONS & MAINTENANCE EXPENSES
EXCLUDING FUEL COSTS, DEPRECIATION, AMORTIZATION AND TAXES
(\$000)**

	2008	2009*
Distribution Operations	\$64,180	\$53,121
Distribution Maintenance	\$99,517	\$98,570
Total Distribution O&M	\$163,696	\$151,690

*Three months actual, nine months estimated

PUBLIC SERVICE ELECTRIC & GAS COMPANY

5-Year Reliability Performance

	2004	2005	2006	2007	2008	2007 Decile
SAIFI (Index)	0.64	0.69	0.69	0.76	0.70	
1st Quartile	0.79	0.99	0.91	0.96		0.78
CAIDI (Minutes)	68.8	67.0	66.4	67.6	65.5	
1st Quartile	74.1	75.3	77.6	76.0		67.7

