

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

**In The Matter Of The Joint Petition Of
Public Service Electric And Gas Company
And Exelon Corporation
For Approval Of A Change In Control Of
Public Service Electric And Gas Company,
And Related Authorizations**

**BPU DOCKET NO. EM05020106
OAL DOCKET NO. PUC-1874-05**

**REBUTTAL
TESTIMONY**

OF

PETER CISTARO

on

Safe and Reliable Gas Delivery Service

JP-14

December 5, 2005

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**REBUTTAL TESTIMONY
OF
PETER CISTARO**

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I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name and business address.

A. My name is Peter Cistaro and my business address is 80 Park Plaza, Newark, NJ 07102.

Q. By whom are you employed and what is your current position?

A. I am currently employed by Public Service Electric and Gas Company (“PSE&G”) as Vice President - Gas Delivery.

Q. Please summarize your educational background and work experience.

A. I received a Bachelors Degree in Industrial Engineering from New Jersey Institute of Technology (Newark College of Engineering) in 1968. I received a Masters Degree in Business Administration from Fairleigh Dickinson University in 1981. I also participated in the University of Michigan Public Utility Executive Program and the Program for Management Development at Harvard University.

After a series of various management positions within PSE&G, in 1995, I was promoted to Vice President – Gas Distribution. My responsibilities included the overall design, engineering, construction and maintenance of PSE&G’s gas distribution system serving more than 1.6 million gas customers.

1 In 1997, my duties were expanded as Vice President – Distribution, which then
2 included all of the abovementioned responsibilities for both the gas and electric
3 distribution systems serving over 2 million electric and 1.6 million gas customers.

4 In 2003 I was named Vice President – Gas Delivery and, in addition to the gas
5 distribution responsibilities mentioned above (electric and gas), was given oversight of
6 the Appliance Service Business which provides utility services (i.e., leak response, meter
7 connection, appliance diagnostics) and competitive, revenue-generating services (i.e.,
8 parts replacement, water heater replacement, HVAC installations).

9 In addition to my work experience, in 1999, I served as the Chairman of the
10 Managing Committee for the American Gas Association’s Operating Section. I am
11 currently a member of the AGA Research Committee and Leadership Council. I am a
12 member of the Board of Directors of the Gas Technology Institute (formerly the Gas
13 Research Institute), which provides policies and directs research funding for national
14 projects to improve the science behind the gas industry and its operations. I am also
15 currently the Chairman of the Distribution Committee of the International Gas Union, a
16 global organization that promotes operations technology and the sharing of best practices
17 worldwide. In addition, I am the current Chairman of the Board of the New Jersey State
18 Safety Council, and I serve on the Boards of several non-profit organizations in New
19 Jersey.

1 **Q. What will be your role in the post-merger organization?**

2 **A.** Post-merger I will be Vice President – Integration Transition and will be responsible for
3 ensuring a successful transition in implementing the organization design and transferring
4 institutional knowledge to the new management team.

5

6 **Q. Have you testified previously in any regulatory proceeding?**

7 **A.** Yes, I have testified in prior gas rate cases before the BPU on behalf of PSE&G.

8

9

II. SUMMARY OF TESTIMONY

10

11 **Q. Could you summarize the testimony you are providing in this proceeding?**

12 **A.** In my testimony I will discuss the strengths that PSE&G brings to the merger and the
13 benefits New Jersey’s customers will receive resulting from the merger.

14 I will also address a number of intervener comments and issues in areas related to the gas
15 distribution business such as standards, staffing and cost reductions, distribution
16 infrastructure, and reliability performance.

17 Throughout the various interveners’ testimonies there is continued reference to
18 PSE&G’s exceptional level of safety and reliability. As I discuss in detail below, post-
19 merger, we will continue to provide outstanding, safe and reliable gas service.

20

21

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1 **III. SAFE AND RELIABLE SERVICE POST-MERGER**

2
3 **Q. What are the positive benefits that will be provided to PSE&G's Gas Delivery**
4 **business as a result of the merger?**

5
6 **A.** Gas Delivery will have the benefit of being part of a larger organization with talents and
7 ideas that will provide additional opportunities to improve our performance. We
8 recognize that there are opportunities for both PSE&G and PECO to make substantial
9 improvements in operations by taking advantage of each others' proven practices and
10 procedures, often referred to as the implementation of Best Practices. One example of
11 an Exelon practice that would benefit PSE&G concerns system modeling. PSE&G
12 currently models only about 25% of its intermediate pressure (higher than utilization
13 pressure) gas distribution system, whereas PECO models its entire gas distribution
14 system. Modeling the entire system allows for better planning of reinforcement projects
15 and a more reliable gas distribution system. In the post-merger environment, PSE&G
16 will be able to use the talents of PECO's employees to implement the complete modeling
17 of our system.

18 In addition, as outlined in other testimony, once merged with Exelon, PSE&G
19 will benefit from the ability to streamline its cost structure as a result of more efficient
20 back-office operations. The reduced overhead costs will help to mitigate the future rate
21 relief required by PSE&G, which will directly benefit New Jersey consumers.

22 Finally, the safety of our employees and the public is of paramount importance to
23 PSE&G. As a result of the merger, we will benefit from a greater pool of resources, both
24 front line and support staff, from which to draw on during operational emergencies. Both

1 PSE&G and PECO have used various processes and techniques for ensuring that
2 employees return home safely to their families at the end of the day. As does PSE&G,
3 PECO has an excellent gas safety record, having been recognized by the American Gas
4 Association in 2004 for its accident prevention performance and elsewhere for the
5 environmental benefits and cost-effectiveness of its trenchless pipe replacement and road-
6 cut restoration programs. Our goal is to draw from PECO's experience in these and other
7 areas, as PECO will from us, to continue to improve the health and safety of our
8 employees. The combined company will enable the sharing of best practices in this area,
9 and bring benefits to both New Jersey customers and our employees.

10
11 **A. Autonomy of the Utility with Regard to Capital, O&M and Staffing**

12 **Q. Are any of Mr. Marano's concerns regarding PSE&G's autonomy and access to**
13 **resources to maintain and improve its reliability valid?**

14
15 **A.** No. Mr. Marano states in his testimony (p. 6) that in his opinion "this proposed merger
16 presents a risk of a regression of PSE&G's efforts to provide safe and reliable distribution
17 of natural gas throughout its service area if budget cuts to critical programs are made, and
18 if several of the policies and practices of Exelon are required to be adopted and applied to
19 PSE&G's current management approach and policies." He further states that it is "a
20 major concern that Exelon would require PSE&G to regress in its current practices of
21 exceeding compliance to one of meeting the minimum requirements. Because of the
22 drivers of post-merger economic performance noted, I have neither comfort nor assurance
23 that PSE&G would be provided an adequate budget to continue to replace high risk pipe

1 materials at the same or an appropriately accelerated rate utilizing the same approach and
2 benchmarked to insure continued acceptable operating performance.” He then states (p.
3 10) that “[s]pending authorization decisions, currently made locally, would be moved out
4 of state.”

5 Mr. Marano’s testimony is based solely on conjecture and speculation. There is no
6 evidence in this case to support Mr. Marano’s opinion that there will be budget cuts or
7 that policies will be implemented to cause a regression of PSE&G’s ability to provide
8 safe and reliable service. Quite to the contrary, as discussed below and in the testimonies
9 of Denis O’Brien, Ralph Izzo, and Ralph LaRossa, Marano’s opinions and concerns are
10 directly contradicted by the facts. Exelon’s and PSE&G’s goal is to maintain top quartile
11 performance and share practices and procedures that enhance customer service,
12 performance and efficiency.

13 This has been further reinforced by the announcement that two top PSE&G
14 executives have been named as key executives in the post-merger Exelon Energy
15 Delivery organization, and will remain on-site in New Jersey to assure continued high
16 quality service for New Jersey customers. Ralph Izzo will assume the role of Executive
17 VP-Exelon Energy Delivery and will be located in Newark, and Ralph LaRossa, currently
18 the Vice President of PSE&G Electric Delivery, will become President of PSE&G.
19 Clearly the commitment is to maintain and improve PSE&G’s performance into the
20 future and place the responsibility and accountability for that with the PSE&G New
21 Jersey-based management team, which has a proven record. The merger will enable
22 improved performance by expanding the intellectual capital available, permitting the

1 pooling of resources and the sharing of best practices, and by creating efficiencies due to
2 economies of scale.

3 In addition, through direct testimony submitted earlier in this proceeding by
4 William Arndt, Senior Vice President, Financial Operations for Exelon Corporation, it
5 has been made very clear that cost savings will not come on the backs of field forces or
6 the cutting of programs that effect safety and reliability. The merger-related savings will
7 come from back-office functions where duplication will be eliminated and management
8 efficiencies can be gained. More importantly, the gas delivery function will be
9 headquartered in Newark and will be practically unaffected by the merger. This includes
10 Gas Engineering and Technical support for PSE&G as well as Gas Asset Management
11 for both PSE&G and PECO, both of which will report directly to the Vice President of
12 Gas Delivery for PSE&G. See response to RAR-GAS-4. In fact, there is an anticipated
13 reduction of only seven full time employees (“FTE’s”) in the combined PSE&G/PECO
14 Gas organizations. See response to RAR-ALLOC-2. It is clear from this and the
15 statements of Ralph Izzo, Ralph LaRossa, William Arndt, and Denis O’Brien that
16 PSE&G will have the resources, capital and autonomy to improve and maintain
17 PSE&G’s performance.

18
19 **Q. Will planned capital investments be reduced or shifted to PECO (Marano, pp. 7-8)**
20 **and will there be pressure to reduce O&M expenditures that could affect line valves,**
21 **markouts and regulator overhauls?**

22
23 **A.** No. Contrary to Mr. Marano’s speculation, there are no intentions to reduce PSE&G’s
24 current main replacement program or shift resources in a manner that would differ

1 significantly from recent trends. Although it is not clear how it impacts on the BPU's
2 evaluation of this merger, Mr. Marano's assertion (p. 55) that PSE&G's main
3 replacement policy is driven primarily by financial considerations rather than safety or
4 reliability considerations is groundless. He bases this opinion on the fact that the footage
5 replaced between 2000 and 2004 declined by 7.9%. At the same time, he acknowledges
6 that PSE&G increased pipe replacement spending during the same time period by an
7 average of 4.5% per year. It is true that the footage of replacement main and service
8 trended downward during that period. What Mr. Marano fails to mention was that during
9 the same time period, leaks on mains and services declined 16.3%, from 9,901 in the year
10 2000 to 8,282 in 2004. See response to S-RS-REL-12. PSE&G's main replacement
11 program is not driven by a quota of footage or dollars. Rather, it is driven by results,
12 replacing the pipe that needs to be replaced, managing risk, and keeping our leaks per
13 mile of pipe at or below our scorecard target. This will not change.

14 Controlling the level of O&M expenditures is one of the fundamental functions of
15 good management, whether it is conducted by PSE&G, Exelon or a combined
16 organization. As with Exelon's distribution business management, PSE&G's
17 management is continually striving to improve efficiencies and lower operating and
18 maintenance costs. These efforts and the simultaneous dedication to the provision of safe
19 and reliable service would continue with or without a merger. To the extent there are
20 reductions in O&M costs as a result of the synergies gained through the merger (i.e.,
21 elimination of duplication), our customers will derive benefits that could not be achieved
22 by a standalone company. As John Rowe and William Arndt state in their testimonies,

1 none of these reductions will be made at the expense of safety, reliability, or customer
2 service. Therefore, there is no basis to assume that there will be pressure to change any
3 policy or practice that would have an adverse affect on safety or reliability.
4

5 **Q. Will there be a second wave, post-merger integration downsizing several years after**
6 **the initial integration efforts that could have a potentially adverse effect on safety**
7 **performance, emergency response capability as measured by crew availability, and**
8 **inspection and testing cycles that currently constitute PSE&G's preventive**
9 **maintenance efforts (Marano p. 10)?**

10
11 **A.** There is no evidence that there will be any second wave of downsizing as described by
12 Mr. Marano. In fact, quite the opposite is true, as the Company has just completed
13 collective bargaining with its unions (U.A. L855, Local Union 94-IBEW, O.P.E.I.U.
14 Local 153, and U.W.U.A. Local 601) wherein it has agreed not to lay off any union
15 members for the term of their existing agreements. The agreements reached with
16 PSE&G's unions specifically state that "[t]here will not be a forced layoff during the term
17 of the current Collective Bargaining Agreements." These agreements are in effect until
18 April-May of 2011. Moreover, the executive managements of Exelon and PSE&G have
19 stated many times that they are committed to striving to attain the goal of first and second
20 quartile performance in the area of safety, reliability and customer satisfaction, and they
21 will provide the necessary financial and physical resources to do so. Thus, there will be
22 no "second wave" of downsizing that would adversely affect safety and performance.
23

1 **Q. Mr. Marano (pp. 6-7) has a general concern that PSE&G will alter its current**
2 **standards and procedures after the merger, which will degrade the safety,**
3 **reliability, and customer service it currently provides. How do you respond to this**
4 **concern?**

5
6 **A.** With respect to the various changes in PSE&G operations and maintenance practices that
7 Mr. Marano contemplates, it should be remembered that no modifications can be
8 implemented until they are first submitted to the BPU for prior approval. I address the
9 specific changes that Mr. Marano anticipates later in my testimony. I also would suggest
10 that such a result would run contrary to the obviously strong commitment to service
11 reliability excellence of both the Exelon and PSE&G energy delivery cultures, as
12 discussed in Ralph Izzo's and Denis O'Brien's rebuttal testimonies.

13

14 **Q. Will future input into PSE&G's capital funding be diminished due to centralization**
15 **and spending decisions made out of state (Marano, p. 56)?**

16
17 **A.** While formal Exelon policies and procedures have not been developed for allocation of
18 capital, they will be developed as part of the merger integration effort. See response to S-
19 JAC-REL-160. The President of PSE&G is presently heavily involved in the capital
20 review and approval process within PSEG. The process includes an allocation by parent
21 PSEG of capital resources between the utility and non-regulated affiliates. The same type
22 of allocation process presently takes place at Exelon, where the utility Presidents are an
23 integral part of the review and approval process. See response to S-JAS-REL-159. Post
24 merger, it is expected that PSE&G's President will play a significant role in the capital
25 funding process for Exelon. Exelon's senior executives have committed to provide
26 PSE&G's President with the necessary resources to maintain the utility's performance in

1 safety, reliability and customer satisfaction, as they have provided to PECO since the
2 PECO-Unicom merger.

3
4 **Q. Will Exelon draw financial resources away from PSE&G Gas Delivery and redirect**
5 **funding to improve electric reliability (Marano, p. 60)?**

6
7 **A.** No. It has been stated many times that the managements of Exelon and PSE&G are
8 committed to maintaining and improving PSE&G's excellent record of safety and
9 reliability. Gas Delivery has been adequately funded to maintain and improve its
10 reliability and safety, as evidenced in the reduction of system leaks and in the
11 replacement of our cast iron and bare steel pipe. This is not expected to change post
12 merger.

13
14 **B. Management of Gas Distribution Mains and Services**

15 **Q. How do you respond to the claim in Mr. Marano's testimony (pp. 26-27) that**
16 **PSE&G's main replacement program will be diminished due to either a desire to**
17 **mimic PECO's main replacement program or a shifting of funding?**

18
19 **A.** The assertion that PSE&G will adopt the policies and procedures employed by PECO has
20 no factual basis. There is no indication that funding will be shifted from PSE&G to
21 PECO. Much of Mr. Marano's argument is based on his claim that PECO's gas
22 distribution system is riskier than PSE&G's because PECO has a higher percentage of
23 cast iron mains operating above utilization pressure. However, there are other
24 environmental factors in addition to operating pressure that must be considered when
25 evaluating the risk of cast iron pipe: the demographic area where the segment of pipe is

1 located (i.e., urban, suburban, rural); the break history of the segment; and the ability of
2 the gas to traverse underground to reach a point of ignition. For example, a six-inch pipe
3 with no break history operating at two pounds per square inch in a suburban setting may
4 be less risky than a four-inch pipe that has had two breaks operating at utilization
5 pressure in an urban, commercial area. In fact, Mr. Marano (p. 25) acknowledges these
6 factors in his testimony when he states that “PSE&G operates a substantial amount of its
7 system in a largely urban environment where the hazards carry a risk of greater
8 consequence due to the proximity of a large population, older structures, and significant
9 wall-to-wall paved areas. PECO operates a network that is largely suburban in nature
10 with significantly fewer of the hazards encountered in areas like Newark, Trenton,
11 Camden and in general the heavily populated Northeast part of the state of New Jersey.”
12 These are the factors that will most directly influence decisions relating to the appropriate
13 main replacement program and funding. From my review of PECO’s replacement
14 practices, PECO’s program is properly gauged to the environment in which its gas
15 business operates.

16 Moreover, even though the percentage of mains operating at higher than
17 utilization pressure is greater at PECO, PSE&G still has over five times the total amount
18 of cast iron mains and nearly two and a half times the bare steel contained in PECO’s
19 system. From a risk management perspective, it would not make sense to shift resources
20 away from replacing such a large inventory of cast iron and bare steel mains. PSE&G
21 operates and maintains the largest cast iron inventory in the United States as well as a
22 large bare steel system, and it has an exemplary track record in doing so. The policies

1 and procedures that PSE&G utilizes and the strategies it has developed have proven to be
2 highly effective in providing safe and reliable gas service to its customers. In light of
3 PSE&G's success in this area and the desire of both companies to improve performance
4 post-merger, there is no reason to believe that this program would be altered. As stated in
5 our response to S-RS-REL-1, there are no plans to change or revise PSE&G's gas main
6 replacement program or to change any replacement criteria.

7
8 **Q. Mr. Marano (p. 26) is concerned that PSE&G may alter its method for developing**
9 **its main replacement program in a post-merger environment, due to migration to a**
10 **common software system. What is the likelihood of that occurring?**

11
12 **A.** PSE&G is going to use the same philosophy for determining the strategy for the
13 replacement of its various classes of mains, as well as the same criteria for determining
14 what specific segments of main will be replaced, regardless of the software used. In fact,
15 software is currently being developed at PSE&G in conjunction with the implementation
16 of a Graphical Information System (GIS) that will use PSE&G's current algorithm in
17 order to determine relative scores for each segment of main being considered for
18 replacement. It should be noted that an effective replacement program is not only
19 measured by the quantity of pipe replaced, but the quality of the selection of the
20 replacement segments. PSE&G has an excellent record in this area as noted by the
21 reduction of our Leaks Per Mile over the past years. As noted in response to requests S-
22 RS-REL-2 and -3, reductions in the main replacement program and reallocation of
23 resources from the present program are not contemplated.

24

1 **Q. Is it reasonable to think that PSE&G will reduce its replacement service program**
2 **after the merger is complete (Marano, p. 31)?**
3

4 **A.** No. As we stated in response to S-JAC-REL-1, services are replaced for several reasons:
5 (1) they reach their failure point (i.e., exhibit a leak); (2) in conjunction with PSE&G's
6 replacement main program; (3) if more than 20% of the unprotected services in a defined
7 area have ever leaked, pursuant to N.J.A.C. 14:7-1.16(e); and (4) in conjunction with
8 road reconstruction projects. Similarly, our improvement in the Leaks-Per-Mile measure
9 over the past years indicates we are using good judgment and deploying adequate
10 funding. I want to assure the BPU that PSE&G will continue to replace services when a
11 high risk has been identified (due to leaks), when it makes economic sense (in
12 conjunction with the replacement main program), when it's required by mandate (i.e., the
13 20% rule stated in the New Jersey Administrative Code), and ahead of construction.
14 PSE&G's replacement service program will not be altered as a result of the merger.
15

16 **C. Leakage Management**

17 **Q. Does PSE&G anticipate that it will alter how it conducts main leakage surveys**
18 **(Marano, pp. 9 and 50)?**
19

20 **A.** PSE&G has considered the merits of reducing the frequency of surveys in those areas
21 where there is no metallic piping, and will weigh this decision based on PSE&G's
22 operational needs. The company conducts a review of leakage data annually to address
23 the integrity of the system, particularly of the bare steel and cast iron. Federal code
24 would allow the company to schedule cast iron and steel mains to be surveyed every

1 three years, and polyethylene (PE) mains every five years. However, a three and/or five
2 year leak survey schedule would undermine the effectiveness of an annual review of
3 leakage data. Federal code 49 CFR 192.723 (b) requires an operator to have a leakage
4 control program that is appropriate for the local conditions. PSE&G's mix of cast iron,
5 protected and unprotected steel, and PE is the basis of the Company's decision to conduct
6 main leakage surveys annually. In addition, N.J.A.C. 14:7-1.37 requires BPU approval
7 prior to changing operating and maintenance standards. As I have previously explained,
8 even if PSE&G were interested in such a change, these standards could not be altered
9 post-merger without BPU approval.

10
11 **Q. Mr. Marano (p. 51) is concerned that PSE&G will be required to alter its leak**
12 **classification system from a 3-grade system to PECO's 4-grade system. Is this likely**
13 **to happen?**

14
15 **A.** In my opinion, this is unlikely to happen. PSE&G's practice of having three different
16 classifications for leaks is in conformance with the Gas Piping Technology Committee's
17 (GPTC) Guide Material Appendix G-192-11. Again, N.J.A.C. 14:7-1.37 requires BPU
18 approval prior to changing operating and maintenance standards. There is no change
19 contemplated as a result of the merger.

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1 **D. O&M Reductions**

2 **Q. Does PSE&G contemplate any changes in the method for identifying valves as**
3 **“critical” for the safe operation of the system, and for determining the maintenance**
4 **frequency of those valves (Marano, pp. 8, and 39)?**

5
6 **A.** PSE&G’s critical valve procedures or Line Valves Inspection Program is incorporated in
7 the Gas Distribution Standards, Part 5, Chapter 3 – Survey, Section 3.3, and requires
8 inspection each calendar year. This program is compliant with Federal Regulation 49
9 CFR 192.747 and N.J.A.C. 14:7-1.10. Once again, N.J.A.C. 14:7-1.37 states that the
10 company shall not revise any operating and maintenance standard that affects the
11 frequency or performance of inspections, investigations, surveys, or testing, without
12 submitting the revision to the Bureau of Pipeline Safety for review. See responses to S-
13 JAC-REL-179 (Confidential), S-JAC-REL-154, S-ENE-REL-6, and S-JAC-REL-57.
14 There should be no reduction in the workforce that performs this type of O&M work due
15 to the aforementioned agreement reached with PSE&G’s unions. The assertion that there
16 will be post-merger pressure to reduce O&M expenditures, resulting in fewer valve
17 replacements, is not substantiated.

18
19 **Q. Does PSE&G envision any changes brought about by the merger to modify the**
20 **current pressure regulator inspection and maintenance program (Marano, pp. 40-**
21 **41)?**

22
23 **A.** As stated earlier, N.J.A.C. 14:7-1.37 requires BPU approval prior to changing operating
24 and maintenance standards. The company does not anticipate any changes in this area.
25 There should be no reduction in the workforce that performs this type of O&M work due
26 to the aforementioned agreements reached with PSE&G’s unions.

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Q. Ms. Brockway (p. 46) recommends imposing a penalty on PSE&G that is linked to the percent of emergency calls that are not responded to in one hour or less. Is this a reasonable proposal?

A. No, it is not. PSE&G has a long-standing goal of responding to all customer leak reports within 60 minutes. Not only is this goal consistently achieved, as indicated in quarterly reports that are submitted to the BPU, but PSE&G has the best performance record in the state. This activity is already closely monitored by the BPU. Both PSE&G and the BPU share a mutual desire not to compromise performance in this area. In my view, this goal receives the attention needed to ensure its attainment, and the proposed imposition of penalties is unwarranted and punitive.

E. Appliance Service Business

Q. Mr. Rafferty (p. 28) is concerned that the Appliance Service Business will be discontinued at PSE&G. How likely is that to happen as a result of the merger?

A. It is highly unlikely. As mentioned above, the November agreements with PSE&G’s unions state that “[t]here will not be a forced layoff during the term of the current Collective Bargaining Agreements.” The relevant agreement further states that “[t]he Company and the unions will actively support the continuation of the Appliance Service Business before the BPU during the term of the Collective Bargaining Agreements...and the Company will not sell or exit the business during the term of the Collective Bargaining Agreements.” The Collective Bargaining Agreements expire in May 2011. Thus, the agreement insures that the Appliance Service Business cannot be discontinued

1 over the next five years. Furthermore, Appliance Service personnel perform a significant
2 amount of tariff related work. We cannot unilaterally change the tariff without express
3 approval from the BPU.

4
5 **Q. Mr. Rafferty also claims (p. 28) that if the Appliance Service Business were to be**
6 **discontinued, it would affect outage restoration. Is this realistic?**

7
8 **A.** No. The Appliance Service Business has little to no impact on outage restoration. It is
9 rare that its workforce is involved in any outage restoration activities.

10
11 **F. Quality Assurance**

12 **Q. Mr. Marano is concerned that there will be a decline in PSE&G's use of its own**
13 **employees to conduct inspections, which will result in a decline in quality assurance.**
14 **(Marano, pp. 53-54). Can you address this issue?**

15
16 **A.** The concern is unfounded and actually, the opposite is true. As part of the activities
17 related to planning the post-merger environment, the area of inspecting contractors was
18 reviewed. It was recommended by the team looking at this activity that PECO should
19 consider inspection practices that are more similar to those employed by PSE&G, which
20 uses its own employees to a greater extent. See response to S-JAC-REL-153. This is an
21 example of an area where the PSE&G practice will likely be adopted as a "Best Practice"
22 for the integrated organization.

23

24

25

1 **G. Damage Prevention**

2 **Q. Witnesses Marano (pp. 35-36) and Brockway (p. 39) both argue that there is a**
3 **realistic chance that post-merger, PSE&G will use contractors to perform**
4 **markouts, and that this will dilute its current performance in this area. How**
5 **realistic is this?**

6
7 **A.**It is not a realistic concern. The agreements struck with PSE&G's unions provide for no
8 layoffs through May 2011. The relevant agreement also states that "[t]he Company will
9 not contract out markouts....nor will it attrition the positions that perform this work
10 during the term of the Agreement," that is, until May of 2011. Thus, there is no issue.

11 In addition, the BPU is supplied with quarterly damage reports to monitor
12 PSE&G's performance, and damage prevention is one of the most scrutinized activities
13 that is monitored and investigated by the BPU. Regardless of how locates are performed,
14 past performance levels have been established which will drive future performance level
15 expectations. PSE&G will continue to use all available information in order to close
16 performance gaps, drive proven practices, evaluate the need for new technology, and
17 determine best use of damage prevention resources so that it continues to improve its
18 performance level in this area. The availability of a larger pool of knowledge as a result
19 of the merger will only further enhance PSE&G's ability to discover new ways to become
20 more effective in this area.

21
22 **Q. Does this conclude your testimony?**

23
24 **A.**Yes.