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### **Over 150 Builders, Developers Attend PSE&G Conference**

The recent PSE&G 3rd Annual Builder/Developer Conference attracted some 150 people to hear of progress in the pending PSEG-Exelon merger, a discussion of future energy prices and the introduction of a user-friendly Internet interactive system to apply online for new or upgraded services. The tradespeople also had a chance to mingle with PSE&G's Project Consultant Teams and learn how to expedite projects.

Fred DeSanti, vice president – external affairs, served as master of ceremonies at The Palace, Somerset, where the program began with breakfast and registration. Power point presentations accompanied the various speakers and questions-and-answers followed each sector of the program.

Ralph LaRossa, vice president – electric delivery, said he expects regulatory approval for the \$15.9-billion merger of PSEG, the state's largest utility, into Exelon to create the nation's No. 1 power supplier, in July or August. "But, that could be extended," he said. Exelon, based in Chicago, has 5.2 million customers in Illinois and Pennsylvania and more than \$14 billion in annual revenues, while PSEG serves about 2 million electric and 1.7 million gas customers in New Jersey and has \$12.4 million in revenues.

LaRossa said the combined company, Exelon Electric & Gas, would have \$79 billion in assets, \$27 billion in revenues, with 28,000 employees. He pointed out that Exelon has an excellent track record in the field of nuclear energy and is one of the nation's largest electric utilities. PSEG entered a nuclear operating services contract with Exelon in conjunction with the merger agreement. Exelon is part owner of 2 of the 3 reactors that PSEG operates. He said Exelon has done tremendous work at the Salem/Hope Creek site. "Exelon knows how to operate nuclear plants," he explained.

"We are going to pursue the best practices of both organizations," he said. He added that in addition to improved nuclear performance, the merger will benefit from complimentary operations, contiguous service territories, and improved transmission and delivery efficiency. He said he anticipates that nuclear energy is going to help lower the overall prices of energy in New Jersey.

Frederick "Fritz" W. Lark, PSE&G's vice president – business analysis, explained that since the August 1999 order by the Board of Public Utilities, PSE&G has become a transporter of a commodity, much like FedEx. He said PSE&G is still the provider of last resort for customers. He traced the volatility of the energy market and its impact on prices. He said two years ago, the average one dollar cost of electricity to a homeowner was composed of 60 cents for the electric or gas commodity, 10 cents for "societal" needs which it collects for the state, and 30 cents for the utility company's cost of doing business. Now those figures are 70, 10 and 20, respectively. "We work hard on our 20 percent of the bill, so the customer enjoys 90 percent of the bill," he said.

He said the old saw that if gas prices go too high, the customer will shift to oil is out of date. "Not at \$75 a barrel they won't." He said that the dramatic rise recently in commodity prices are the highest experienced since the 1973 and 1979 oil embargo days.

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Lark who represents PSE&G at the world's largest commodity auction, where future prices are set, said the company widens its sources of supplies to spread the risk. When he bids at the annual February auction, for example, he bids for a 3-year strip of energy.

At each auction, he seeks one third of its needs for the next three years. Supplies attained for the June 2004 to May 2007 period were purchased at 5.5 cents per kilowatt; from June 2005 to May 2008, 6.5 cents, and for June 2006 to May 2009, 10.2 cents. He said this will mean a 13.7 percent increase. He pointed out that PSE&G spreads out its suppliers. "We layer our buying for three years out," he said. "It amounts to dollar cost averaging. We are, in effect, mitigating any increases."

He noted that the various commodities – coal, oil and natural gas – seem to be moving in tandem, when it comes to pricing. He noted that in the wake of Hurricane Katrina, some 10 percent of the output in the Gulf Coast is still locked in. "While we all try to do our best to use energy wisely, the price of oil and gas commodities will not be coming down quickly or sharply," he warned.

In response to questions, he said the attempt by some Middle East countries to favor tying the price of oil to the euro rather than the dollar, would drive the price up a little bit.

Another consideration, he said, is that China and other counties are using a great deal more energy than they ever did. "This will put upward pressure on prices," Lark added.

He suggested that the prices of fuel may be moderated by more efficient appliances and buildings, high-tech products and increased nuclear power. "But, it will be a long time before we get to energy independence," he added.

Discussing PSE&G's operational improvements were Joe Forline, division manager – gas, and Rodney Dickens, director – electric.

Forline said his division gets some 300,000 location requests per year and about 1,300 damage cases. He said 40 percent of the damage is done during a project's excavating phase. "Call before digging," he advised. He suggested that builders use standardized equipment.

Dickens said the energy company will be spending \$1.7 billion in investments in the system over the next five years, including \$465 million in new installations, \$454 in replacement, \$669 million in system improvements, \$53 million in environmental efforts and \$18 million in support facilities.