



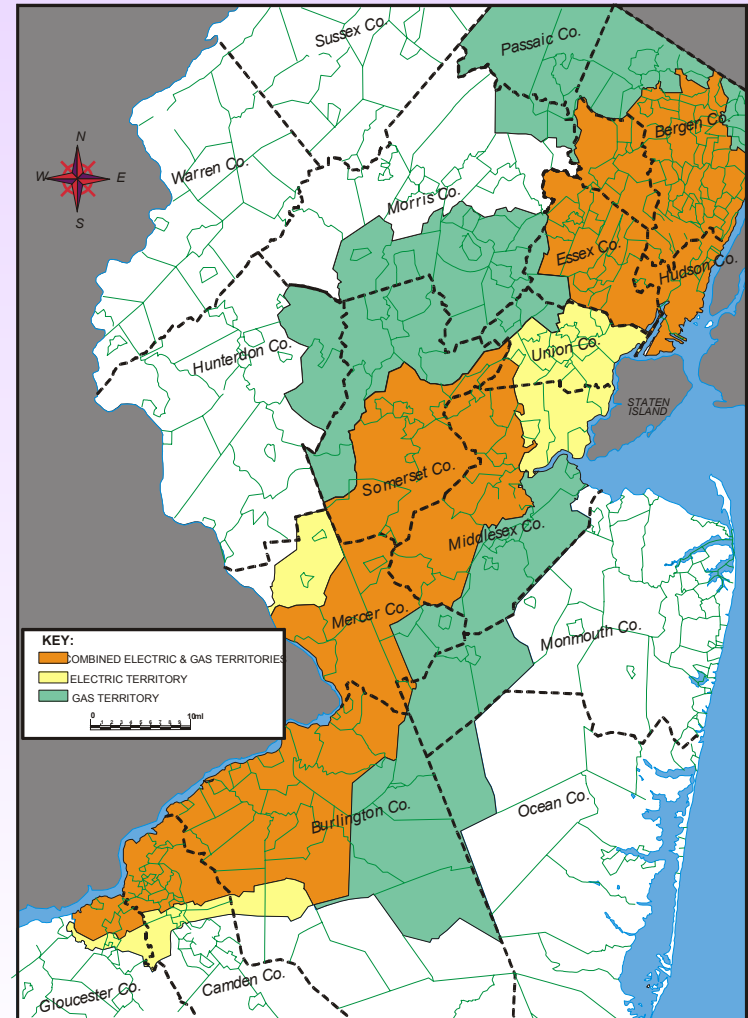
PSE&G Demand Response Pilot

Fitting DR in a Strategic Framework

October 31, 2005

PSE&G Overview

- 6,400 employees
- 2 M electric customers
- 1.6 M gas customers
- 24/7 operation
- 2,600 sq miles service territory
- Serving 6 major cities and 300 communities
- 150,000 miles of wire
- 15,000 miles of pipe



PSE&G Strategy: Safe – Reliable – Low Cost

Safe

Among the best (top decile) nationwide, and without exception, for all customers and employees.

Reliable

Among the most reliable utilities in the region (top quartile) in all aspects of service that matters to our customers.

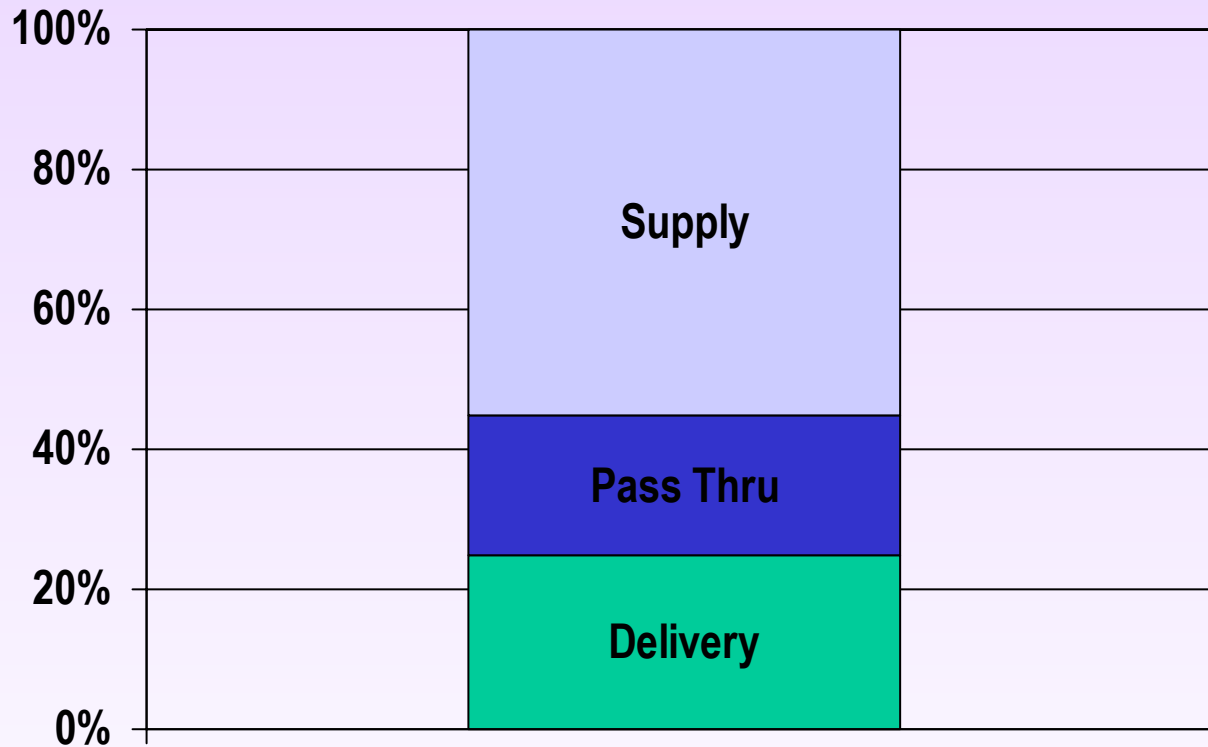
Low Cost

Top quartile in the region based on all-in cost per kWh and Therm.

PSE&G Business Model



Cost versus Value



PSE&G's DSM and Demand Response Programs

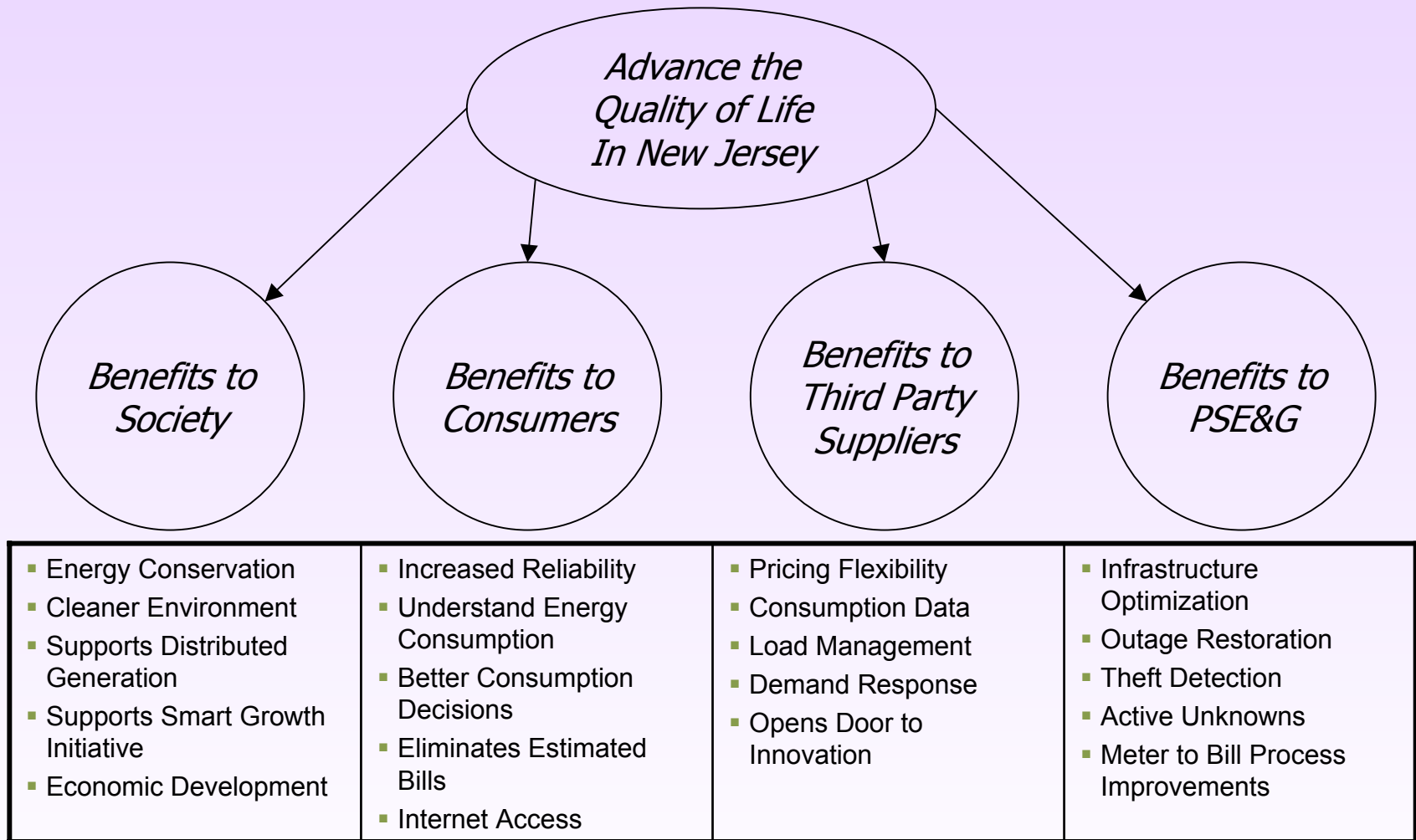
- 1970's to 2003
 - Energy Efficiency Programs
 - Direct Load Control
 - Load Reduction Tariffs
- 1999 – electric industry restructuring in NJ
- 2003 – PSE&G no longer LSE (Load Serving Entity)
- 2004 – BPU order issued to hire a third party market manager for Clean Energy Programs
- 2005 – RFP's issued for third party market manager
- Continued role
 - Direct Load Control (A/C Cycling)
 - Curtailable Electric Service (for distribution relief)

Opportunities in Advanced Metering Infrastructure

| Benefits of Automated Meter Reading | Benefits of Advanced Metering Infrastructure |
|--|---|
| <ul style="list-style-type: none">•Safety•Cost per meter read•% of meters read•Billing accuracy | <ul style="list-style-type: none">•Demand Response•Additional Operational Benefits?•Additional Customer Pricing Options?•Other Services? |

PSE&G is no longer an electricity supplier and is transitioning out of the DSM program management role, but remains committed to being an enabler of technology and programs that provides benefits to customers.

Advanced technology has the potential to benefit consumers, the market and society



The business case for advanced technology must recognize and consider all benefits.

myPower Pilot Program

- Pilot will help PSE&G understand how price signals can influence consumers' energy usage patterns.
- The pilot will test consumers' reaction to the opportunity to conserve when power is in peak demand.
- Technology will allow consumers to become savvy energy consumers
- 18 months in duration (2 summers)

Assessments

- Technology
- Customer
- Impact
- Operations

Regulatory Engagement

- Involvement of the NJ Board of Public Utilities early in the process
- Approval to defer costs associated with pilot
- Approval of pilot program rates
- BPU and Ratepayer Advocate review of all program material, including program design, recruitment material, educational material, customer surveys and any RFP's

myPower Pilot Segments

| Program Name | Pilot Segment | Customers |
|---------------------|-------------------------------------|-----------------------|
| myPower Link | Utility Activated Load Management | 100 Res 100 Sm Com |
| Control Group | Electric Interval Meters only | 450 Res |
| myPower Sense | TOU/CPP Educate Only | 550 Res |
| myPower Connection | TOU/CPP Technology Enabled | 400 Res |
| myPower Manager | Day Ahead Hourly Technology Enabled | 400 Res |

myPower Link – Load Management Pilot

- Utility Activated Load Management
- 100 Residential and 100 Small Commercial Customers
- Central A/C
- Carrier Corporation Comfort Choice Thermostat
- Set Back and Duty Cycle Capability
- Override Feature
- Web based functionality
- Ability to verify load control, estimate load savings calculations
- Up to 20 cycling events between 12 noon – 10 pm weekdays

Summer 2005 Preliminary Results

- 19 curtailment events, various curtailment strategies tested
- Preliminary Findings:
 - Many customers are not aware when a curtailment event occurs; very few realize that they had overridden an event
 - Commercial customers over-ride at a much higher rate than residential customers
 - Decreasing duty cycle has not had as much impact on over-rides as expected
 - Customers want an “easy to use and understand” thermostat

myPower Sense – Connection – Manager Pricing Pilots

| Segment | Num | Description |
|--------------------|-----|--|
| Control Group | 450 | Standard residential rates; DCSI technology; interval meters |
| myPower Sense | 550 | TOU/ CPP rates, education only, Itron electric meters |
| myPower Connection | 400 | TOU/ CPP rates, Comverge energy management, Itron electric meters |
| myPower Manager | 350 | Day Ahead Hourly Prices, Comverge energy management, Itron electric meters |
| | 50 | Same as above, except using Itron energy management technology |

Challenges

- Program Design
- Technology
- Cost
- Customer Acceptance
- Integration

Ultimately, the challenge will be in demonstrating benefits of a large scale deployment.