

**STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW  
BEFORE THE HONORABLE IRENE JONES**

<b>IN THE MATTER OF THE PETITION</b>	)	
<b>OF ATLANTIC CITY ELECTRIC</b>	)	
<b>COMPANY FOR APPROVAL OF</b>	)	
<b>AMENDMENTS TO ITS TARIFF TO</b>	)	
<b>PROVIDE FOR AN INCREASE IN</b>	)	<b>BPU DOCKET No. ER11080469</b>
<b>RATES AND CHARGES FOR</b>	)	<b>OAL DOCKET No. PUCRL 09929-2011</b>
<b>ELECTRIC SERVICE PURSUANT TO</b>	)	
<b><u>N.J.S.A. 48:2-21</u> AND <u>N.J.S.A. 48:2-21.1</u></b>	)	
<b>AND FOR OTHER APPROPRIATE</b>	)	
<b>RELIEF</b>	)	

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**DIRECT TESTIMONY OF CHARLES P. SALAMONE  
ON BEHALF OF THE  
DIVISION OF RATE COUNSEL**

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1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Charles P. Salamone. I am the Owner of Cape Power Systems  
4 Consulting, LLC a power systems consulting company with an address of 23  
5 Westerly Drive, Bourne, Massachusetts and I am subcontracting with Synapse  
6 Energy Economics, Inc. with an address of 485 Massachusetts Avenue,  
7 Cambridge, Massachusetts.

8 **Q. On whose behalf are you submitting testimony in this proceeding?**

9 A. I am submitting testimony on behalf of the Division of Rate Counsel.

10 **Q. Please describe your education and professional background.**

11 A. I hold a Bachelor of Science Degree in Electrical Engineering from Gannon  
12 University. I joined the Engineering Department of Commonwealth Electric  
13 Company in 1973. At that time, I became a Junior Planning Engineer where my  
14 primary responsibilities were to assist in the planning, analysis and design of the  
15 transmission and distribution systems of Commonwealth Electric Company, later  
16 to be NSTAR. I generally followed the normal progression of positions with  
17 increasing levels of responsibility within the planning area until taking the  
18 position of Director of System Planning for NSTAR in 2000. I held that position  
19 until starting Cape Power Systems Consulting, LLC in 2005. During my career  
20 with NSTAR in addition to the responsibilities associated with overseeing System  
21 Planning I had served as Chair of the New England Power Pool (NEPOOL)  
22 Planning Policy Subcommittee (1997-1998), Chair of the NEPOOL Regional

1 Transmission Planning Committee (1998-1999) and Vice Chair of the NEPOOL  
2 Reliability Committee (1999-2000). In my capacity at Cape Power Systems  
3 Consulting, I have been providing consulting services to a number of power  
4 system industry clients since 2005. I am a Registered Professional Engineer with  
5 the Commonwealth of Massachusetts. I am also a member of the Power  
6 Engineering Society of the Institute of Electrical and Electronic Engineers. A  
7 copy of my resume is attached hereto as Attachment CPS-A.

8 **Q. Have you previously testified before utility regulatory agencies?**

9 A. Yes. I have previously testified before the New Jersey Board of Public Utilities  
10 (“NJ B.P.U”), the Federal Energy Regulatory Commission, the Massachusetts  
11 Department of Telecommunications and Energy, and the Massachusetts Energy  
12 Facilities Siting Board on a number of technical matters relating to ratemaking  
13 and system planning.

14 **II. PURPOSE OF TESTIMONY**

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony is to review Atlantic City Electric Company’s  
17 (“ACE” or the “Company”) petition seeking to increase base rates, to review the  
18 Company’s reliability metrics, to review the Company’s proposal to include  
19 programs from the Infrastructure Investment Program (“IIP-1”) into rate base,  
20 and to point out the inconsistencies between the Company’s proposed and actual  
21 job creation numbers in IIP-1. My testimony also identifies the Company’s  
22 historical failure to meet performance expectations across a range of reliability

1 related issues. I have reviewed a number of documents provided by the Company  
2 as well as the Management Audit conducted by Overland Consulting in 2010  
3 (B.P.U. Docket No. EA07100794). I have also reviewed the Stipulation of  
4 Settlement approved by the Board in the Company's previous base rate case.<sup>1</sup> I  
5 have reviewed these documents in an effort to measure the progress the Company  
6 has made on reliability. These documents together raise a significant concern  
7 over the Company's long-standing failure to meet or exceed the minimum level of  
8 expected customer reliability performance. Specifically, I will discuss the  
9 following issues and concerns:

- 10 • The Company's reliability performance has been previously cited as, and  
11 continues to be in a state of decline. It appears that, historically, the  
12 Company has not allocated sufficient funding to address these concerns,  
13 and the Board should review the process by which the Company allocates  
14 funding to address reliability of service.
- 15 • Although ACE, on a company-wide basis, seems to have met the Board's  
16 established reliability metrics and standards, some customers continue to  
17 receive less than acceptable service reliability. The Board should consider  
18 closer monitoring of the Company's reliability performance at a more  
19 detailed level to ensure that all customers receive an acceptable level of  
20 service reliability.

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<sup>1</sup> I/M/O the Petition of Atlantic City Electric Company for Approval of Amendments to its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to NJSA 48:2-21 and NJSA 48:2-21.1 and for Other Appropriate Relief, BPU Docket No. ER09080664, Order Approving Stipulation, May 16, 2011 ("Phase II Stipulation").

- 1 • The Company's continuing poor performance provides a compelling case  
2 for the institution of performance penalties that would provide a  
3 significant financial incentive to meet the standards the Board has  
4 established in the 2002 Merger Order and ensure that all customers receive  
5 a minimum level of service reliability.
- 6 • Additionally, the Company's infrastructure investments as part of the  
7 State's Economic Stimulus Plan have failed to meet the objectives the  
8 Company has committed to concerning the economic benefits projected by  
9 the Company for the program. This program spent 95% of the projected  
10 budget yet has only achieved 64% of the job creation benefits on which  
11 the program was based.

### 12 13 **III. RELIABILITY PERFORMANCE**

14 **Q. Have you reviewed the Company's current and past reliability performance?**

15 A. Yes. The Company is obligated to track and report reliability statistics per the  
16 procedures established by the New Jersey Board of Public Utilities under  
17 N.J.A.C. 14:5-1.2. These procedures are based on Institute of Electrical and  
18 Electronic Engineers ("IEEE") Standard 1366 and they include determination of  
19 System Average Interruption Frequency Index ("SAIFI") and Customer Average  
20 Interruption Duration Index ("CAIDI") values. Major events as defined by the NJ  
21 B.P.U. may be excluded from the statistics.<sup>2</sup> SAIFI is a measure of the average  
22 frequency of interruptions that customers experience on the system. It is

1 calculated by dividing the total number of sustained outages that have occurred  
2 over some period of time for an area of the system by the total number of  
3 customers that take service in that area. A SAIFI value of 1.0 would indicate that  
4 on average customers in the area experienced one outage over the measurement  
5 period (typically one year).

6 CAIDI is a measure of the average duration of sustained customer interruptions.  
7 It is determined by dividing the total number of minutes of sustained customer  
8 outage durations by the total number of customer interruptions. A CAIDI value  
9 of 60 would mean that on average customer interruptions are 60 minutes in  
10 duration over the measurement period.

11 A review of the most recent seven years of performance data for the period from  
12 2004 through 2010 taken from the Company's Annual System Performance  
13 reports provided in response to interrogatory RCR-REL-11 indicates that the  
14 overall reliability performance has declined during this period as shown Exhibit  
15 CPS 1.<sup>3</sup> The exhibit shows that the Company has experienced degradation in  
16 reliability performance at a compound annual growth rate of 15.24% for SAIFI  
17 and 26.38% for CAIDI for all events. When excluding major events, the  
18 Company has experienced degradation in reliability performance at a compound  
19 annual growth rate of 5.37% for SAIFI and 3.68% for CAIDI.

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<sup>2</sup> Defined under N.J.A.C §14:5-1.2

<sup>3</sup> Increasing SAIFI and CAIDI values indicate increasing frequency of outage events (SAIFI) and increased duration of interruptions (CAIDI), hence a degradation of reliability.

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**Exhibit CPS 1 Atlantic City Electric Reliability Metrics (SAIFI and CAIDI) 2004-2010**

<b>Year</b>	<b>SAIFI (All events)</b>	<b>CAIDI (All events)</b>	<b>SAIFI (Major events excluded)</b>	<b>CAIDI (Major events excluded)</b>
2004	1.14	95	1.14	95
2005	1.48	118	1.39	113
2006	2.27	219	1.71	148
2007	1.6	123	1.49	111
2008	1.97	176	1.64	131
2009	1.77	139	1.61	131
2010	2.67	387	1.56	118
2004-2010 Compound Annual Growth Rate	15.24%	26.38%	5.37%	3.68%

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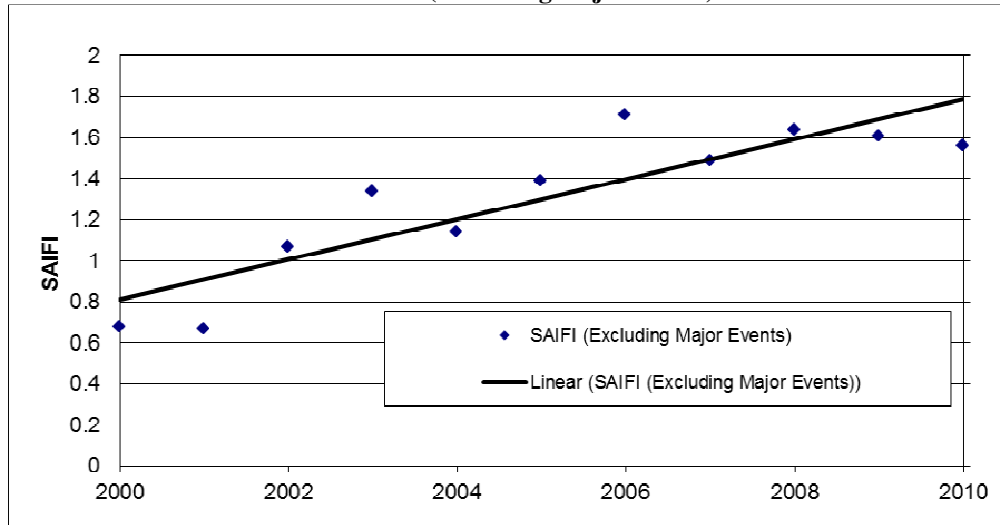
A graphical depiction of this data provides a useful reference for how these statistics have been trending upward since 2000. The exhibits include data from 2000 to provide additional historical context. Exhibit CPS 2 and Exhibit CPS 3 shown below include these values as well as a trend line based on the calculated rate of increase.



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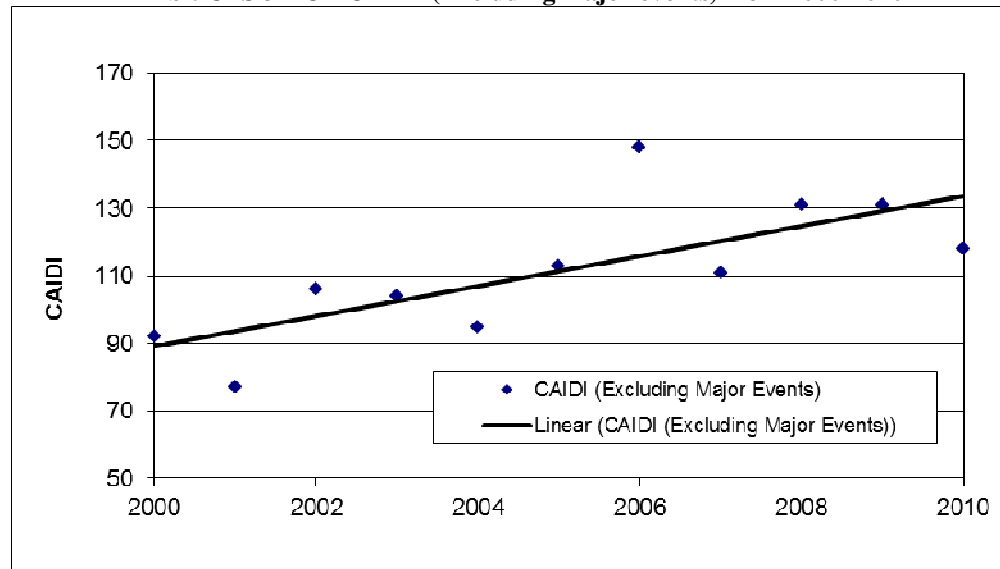
**Exhibit CPS 2 ACE SAIFI (Excluding major events) from 2000-2010**



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**Exhibit CPS 3 ACE CAIDI (Excluding major events) from 2000-2010**



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Although the two exhibits do show that in the last year, the Company has seen a small improvement in reliability metrics, these are within the range of annual variability and they occurred only after making stipulated commitments focused specifically on improving reliability (Phase II Stipulation). The fact that there

1 continues to be an upward trend in degraded reliability performance for the  
2 Company is quite evident.

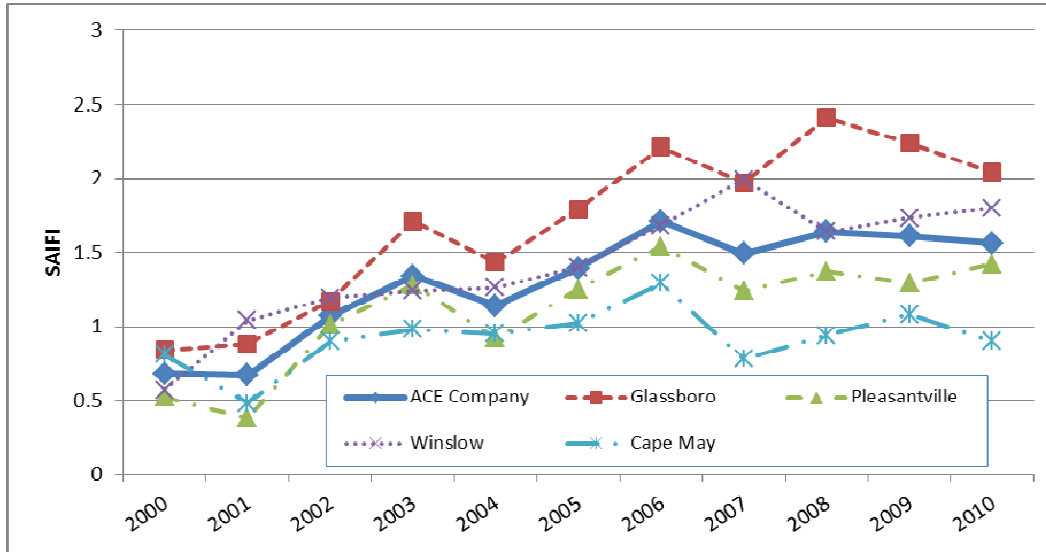
3  
4 When evaluated on a district basis the results indicate that the trend of reliability  
5 performance is worse for some areas than others. Exhibit CPS 4 and below  
6 illustrate the District level reliability metrics for the Company.

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**Exhibit CPS 4 SAIFI by District 2000-2010 (Excluding Major Events)**

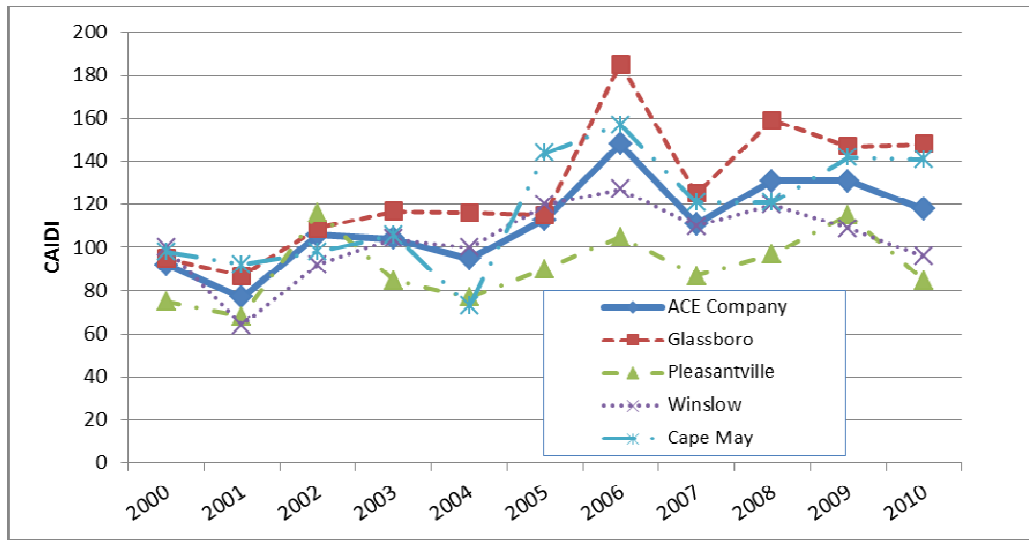


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**Exhibit CPS 5 CAIDI by District 2000-2010 (Excluding Major Events)**



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5 Exhibit CPS 4 provides a graphical display of the Company's SAIFI, including  
6 major event days, which have generally worsened since 2004, although in 2010  
7 the trend appears to be reversing in the Glassboro and Cape May districts. Last  
8 year the Winslow and Pleasantville districts continued to experience an increase  
9 in SAIFI, despite the increased commitment on the part of the Company to  
10 improve reliability.

11 As shown it, Exhibit CPS-5, the trend in CAIDI by district is beginning to show  
12 signs of improvement in the last year. The trend last year in the Glassboro and  
13 Pleasantville districts appears to remain stable. It remains to be seen if the  
14 Company will be able to maintain these positive developments in its reliability  
15 metrics.

16 Taking all of this information together it can be observed that over the past ten  
17 years the Company has, on its own accord, failed to improve the reliability of

1 service it provides to its customers. These performance indicators all lead to a  
2 conclusion that the Company has only recently recognized the need to improve  
3 the reliability of the service it provides to its customers.

4 **Q. Does the Company acknowledge that it needs to improve its Reliability**  
5 **Metrics?**

6 A. Yes. The Company has acknowledged that a more focused and substantial effort  
7 is necessary to improve its reliability performance. The additional efforts were the  
8 subject of a Phase II review of the Company's prior rate case proceeding. That  
9 Phase II review led to a stipulated agreement that commits the Company to  
10 increased funding for various aspects of its reliability-based spending over the  
11 next five years. In the Phase II Stipulation, there are several references to the  
12 Management Audit report performed and written by Overland Consulting dated  
13 February 2010 (heretofore referenced as the Audit Report) which included a  
14 detailed review of the Company's reliability performance. The report describes  
15 the Company's performance as follows:

16 ACE's reliability metrics are mediocre compared to other utilities.  
17 ACE participates in a number of reliability benchmarking surveys.  
18 ACE's outage frequency performance consistently ranks below  
19 average in those surveys. ACE ranks about average on outage  
20 duration. However, when major event days are excluded, ACE  
21 ranks below average for outage duration.\

22

1 Q. Does the Audit Report make recommendations for the Company to improve its  
2 Reliability Statistics?

3 A. The Audit Report did offer a number of useful and constructive recommendations  
4 concerning how the Company might develop plans to improve its performance. A  
5 summary of the recommended improvements that the Company should implement  
6 to help improve its reliability performance included the following:

- 7 • The Company should prepare a comprehensive reliability improvement plan.
- 8 • The Company should increase its vegetation management funding.
- 9 • The Company should provide consistent stable funding for reliability  
10 initiatives.
- 11 • The Company should improve the metrics it uses to measure reliability.
- 12 • The Company should include more information in its Annual System  
13 Performance Report.
- 14 • The Company's reliability goals need improvement.

15

16 The Company has made efforts to implement the recommendations that came  
17 from the Audit Report but it was only after an audit was ordered by the Board that  
18 the Company began to address these problems. There may be a need to establish  
19 some mechanism for meeting and exceeding reliability requirements without the  
20 need for Company audits. While the Board does have a set of well defined metrics  
21 that Companies must report on and criteria has been established concerning

1 threshold values that Companies must meet or exceed, there are no well  
2 established penalties in place for failure to meet the Board's reliability standards.

3 **Q. Have some customers seen significantly worse reliability performance than**  
4 **others?**

5 A. Yes. Based on response to data inquiry RCR-REL-17 there have been a number of  
6 circuits that have been routinely among the worst performing circuits in the  
7 Company's system. Exhibit CPS 6 below is a list of circuits that have been on the  
8 worst performing circuit list for multiple years. One circuit (NJ0242 Winslow)  
9 has been in the worst performing list for four out of the last five years.  
10 Additionally there were four circuits that were among the worst performers for  
11 three out of the last five years and an additional 18 circuits that were worst  
12 performers for two out of five years.

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**Exhibit CPS 6 Worst Performing Circuit List**

Four Times in the Past Five Years	NJ0242 Winslow
Three Times in the Past Five Years	NJ0062 Da Costa
	NJ0861 Chestnut Neck
	NJ0983 Searstown
	NJ1192 Dorothy
Twice in the Past Five Years	NJ0025 Sea Isle City
	NJ0063 Bay Avenue
	NJ0144 Egg Harbor
	NJ0183 Williamstown
	NJ0186 Williamstown
	NJ0202 Woodstown
	NJ0203 Woodstown
	NJ0361 Tuckahoe
	NJ0483 Rio Grande
	NJ0485 Rio Grande
	NJ0487 Rio Grande
	NJ0831 Roadstown
	NJ0832 Roadstown
	NJ0852 Corson
	NJ0974 Lake
	NJ1112 Nortonville
NJ1145 Pine Hill	
NJ1606 Tabernacle	

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On average for the past five years the SAIFI values for this set of circuits was over 2.78 interruptions per year and the average CAIDI value was 142 minutes per interruption. Both of these values are well above the minimum acceptable threshold set forth by the BPU. Customers on these circuits have for a number of years experienced reliability performance that is less than acceptable. The Board requires that the Company report its worst performing circuits for each District

1 each year as part of the Annual System Performance Report. However, while  
2 there is a requirement to attempt to address these poor performing circuits, there  
3 are no requirements concerning the number of times a circuit shows up on the list  
4 and no real consequence if the poor performance goes unmitigated.

5 This appears to be another area in which the Board may consider imposing stricter  
6 requirements as well as the potential for penalties that would serve to protect  
7 small groups of customers from experiencing continual and repeated poor levels  
8 of service reliability.

9 **Q. Are the Company's expenditures in distribution assets in its construction  
10 budget focused on addressing the reliability issues?**

11 A. No.

12 **Q. Why not?**

13 A. On page 10 of the testimony by Mr. Anthony J. Kamerick, Atlantic City Electric  
14 Co., the Company's witness on Policy, Mr. Kamerick reports a five-year total of  
15 \$266 million spent and/or budgeted for reliability projects within the distribution  
16 budget area. Mr. Kamerick goes on to say that this amount represents 57% of total  
17 distribution capital expenditures. In response to data inquiry RCR-REL-10, a  
18 breakdown of the expenditures included in the referenced expenditures was  
19 provided by the Company and shown in Exhibit CPS 7. A further investigation of  
20 this information provided some useful insights as to the level of spending that can  
21 truly be considered as investments in distribution system reliability. The  
22 Company provided details indicate that \$173 million of the \$266 million is related  
23 to emergency spending as described by the Company. This spending goes to



1           addressing outage conditions and equipment failure conditions and while the  
 2           Company classifies them as reliability they are not truly an investment in  
 3           reliability but rather simply the cost of maintaining and fixing damaged  
 4           equipment as part of the normal course of business. Additionally, the numbers  
 5           quoted by Mr. Kamerick include over \$20 million in expenditures that are the  
 6           result of the infrastructure investment program as described by the Company.  
 7           These additional expenditures were included only as an economic stimulus to the  
 8           New Jersey economy and, absent the State’s Economic Stimulus Plan, are funds  
 9           that the Company would not have expended over this time period. The true level  
 10          of investment in reliability through distribution system improvements that the  
 11          Company committed to of its own accord amounts to a total of \$73 million over  
 12          the past five years or little more than \$14 million a year. This reveals that the  
 13          Company spends very little on reliability investments and, in fact, only allocates  
 14          about 27% of its total distribution capital to improve system reliability on a  
 15          planned basis.

**Exhibit CPS 7 Summary of ACE Reliability Expenditures 2006-2010**

<b>Class</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>	<b>Percent of Total</b>
Emergency	\$26,589,658	\$24,461,067	\$31,493,181	\$34,133,636	\$56,764,859	\$173,442,401	65%
Reliability	\$9,932,413	\$9,423,006	\$14,969,500	\$19,629,025	\$18,810,872	\$72,764,816	27%
Stimulus	\$0	\$0	\$0	\$6,501,527	\$13,648,316	\$20,149,843	8%
<b>Total</b>	<b>\$36,522,071</b>	<b>\$33,884,073</b>	<b>\$46,462,681</b>	<b>\$60,264,188</b>	<b>\$89,224,047</b>	<b>\$266,357,060</b>	
<b>Notes</b>							
RCR-REL-10-Attachement 1							
Emergency: Projects described as “Emergency”							
Reliability : All other projects							
Stimulus: Projects described as “Stimulus”							

18

1 **Q. Has the Company committed to increasing its funding of reliability based**  
2 **work on its system?**

3 A. Yes. The Phase II Stipulation that was the result of the Company's 2009 rate case  
4 committed the Company to increase its spending on its distribution system  
5 infrastructure in an effort to help improve the reliability performance seen by  
6 customers. This additional funding, which amounts to approximately \$11 million  
7 per year for the next five years, should help reverse the historical trend of  
8 declining system performance, however this added investment only represents a  
9 catch up for the insufficient level of funding the Company has provided in  
10 reliability investments over the past five years. As part of the stipulated agreement  
11 the Company claims that this funding increase will improve reliability by as much  
12 as 25% over the five year spending increase period. While this is a laudable goal  
13 to pursue, it means that customers must wait a substantial period of time before  
14 seeing any substantive improvements in reliability performance and there is no  
15 definitive consequence if the Company fails to meet its stipulated goal.

16

17 **Q. Do you have a recommendation concerning the Company's reliability**  
18 **performance?**

19 A. Yes. I recommend that the Board renew its efforts to set more stringent reliability  
20 standards with added mechanisms for New Jersey utilities to meet and exceed  
21 those standards. The Board has made important strides in establishing reliability  
22 standards but has yet to implement a process that provides clear and definitive  
23 financial penalties for utilities that fail to meet those standards. Currently a

1           number of state utility commissions as well as the Federal Government have or  
2           are about to implement a financial penalty for a failure to meet required reliability  
3           standards. Some penalties involve a fine paid by the utility to the state, while  
4           others involve rebates to customers who were affected by the poor performance.  
5           There are likely other means to provide the necessary financial penalties such as a  
6           reduction in the allowed return that would create a financial incentive for utilities  
7           to continue to maintain reliable service at a reasonable cost. The long term  
8           performance data as shown Exhibit CPS 2 and Exhibit CPS 3 for the Company  
9           suggest that, absent a financial penalty to improve its performance, there is no real  
10          assurance that customers will see any better service than they have over the past  
11          ten years.

1 **V. STIMULUS PROGRAM**

2 **Q. Have you reviewed the Company's Infrastructure investment report?**

3 A. Yes.

4 **Q. Does the report comport to the Stipulation agreement entered into by the**  
5 **Company and the Board?**

6 A. No.

7 **Q. Why not?**

8 A. Although the Company has presented its final report using the form agreed upon  
9 in paragraph 26 of the Stimulus Stipulation, the Company has not provided  
10 sufficient project detail in the form. As evidenced in the Company's response to  
11 RCR-REL-21; the report contains many cells in the form that were left blank. For  
12 instance, columns a, f, i, and k of the report do not contain any accompanying  
13 notes to explain the lack of data within the quarterly report.

14 **Q. Is the Company spending consistent with its budgeted 2009 Infrastructure**  
15 **Investment program?**

16 A. Yes, as shown in Exhibit CPS 8 below; the Company's actual cost to date of  
17 approximately \$26.27 million is approaching the budgeted amount as presented in  
18 the Stipulation, dated April 28, 2009, of \$27.6 million. However, on a project by  
19 project basis, the Company's spending appears to have been over its targeted  
20 budget for nine of the sixteen projects as shown in Exhibit CPS 8.

21

1 **Exhibit CPS 8 Comparison of Atlantic City Electric Infrastructure Investment**  
 2 **Program's Projected Budget to Actual Spending**

3

Project Number	Project Description	Projected Budget	Actual Spent	Actual as Percent of Projected
Project 1	Replace Mercury Vapor St Lights	\$2,000,000	\$1,960,724	98%
Project 2	Atlantic Region: Distribution Automation	\$6,000,000	\$2,852,303	48%
Project 3	Atl Reg: Motor Operated/Gang Switch Upgrades	\$1,000,000	\$280,178	28%
Project 4	Install Tree Wire/Spacer Cable - Cape May	\$600,000	\$811,278	135%
Project 5	Install Tree Wire/Spacer Cable - Glassboro	\$3,850,000	\$2,708,554	70%
Project 6	Install Tree Wire/Spacer Cable - Pleasantville	\$150,000	\$208,541	139%
Project 7	Install Tree Wire/Spacer Cable - Winslow	\$60,000	\$49,972	83%
Project 8	Winslow - Planned URD Cable Replacement	\$975,000	\$1,015,683	104%
Project 9	Dist Misc Substation Relay Replacement - Atlantic	\$120,000	\$153,975	128%
Project 10	Atlantic Distribution Substation Battery and Charger Replacement	\$120,000	\$154,266	129%
Project 11	Beesley Sub - Install 23/4 x 12 MVA Transformer	\$586,000	\$1,079,697	184%
Project 12	Atlantic Sub Replace Deteriorated Dist Breakers	\$650,000	\$1,151,218	177%
Project 13	Atlantic City - Upgrade Primary Network	\$2,000,000	\$1,897,682	95%
Project 14	Feeder Reliability Improvements	\$7,000,000	\$8,833,652	126%
Project 15	Salem-Retire 4kV, Upgrade 34kV & Relay Enclosure	\$500,000	\$795,102	159%
Project 16	SPCC Plans - Install Oil Containment	\$2,000,000	\$1,482,225	74%
	<b>Total</b>	<b>\$27,611,000</b>	<b>\$25,435,050</b>	<b>92%</b>
<b>Notes</b>				
Data from RCR-REL-21				
Actual spending taken from net cost column of RCR-REL-21				

4

5 **Q. Has the Company's Infrastructure Investment Program created its projected**  
 6 **number of jobs?**

7 A. As shown in Exhibit CPS 9 below, the Company's response to RCR-REL-21 has  
 8 created 59 incremental jobs compared to the 92 incremental jobs projected by the  
 9 Company in the April 28, 2009 Stimulus Stipulation agreement. Overall the  
 10 Company has spent approximately 95% of the projected costs while creating only  
 11 64% of the projected incremental jobs.

12 This introduces a concern that the overall program has not resulted in the  
 13 economic benefits expected to be provided by the program. The projects are for  
 14 the most part all reliability based and as such are resoundingly needed. The one  
 15 project that may have questionable prudence associated with it is the project for

1 replacement of Mercury Vapor Street Lights. This project entailed replacing  
2 almost 6,000 street lights for a cost of approximately \$2 million. The primary  
3 impetus for the project was energy efficiency savings. Based on the Company's  
4 response to RC-AC-IN-P-8<sup>4</sup> there is an estimated savings of 21 kwh per month  
5 for the new lights and assuming a \$0.10 / kWh energy cost savings the total  
6 annual saving for the project would amount to an estimated \$150,000 per year.  
7 Given this level of avoided energy costs and assuming a capital investment  
8 levelized annual revenue requirement rate of 15% the savings would only appear  
9 to support about 50% of the cost to implement the project. Additionally, another  
10 major impetus for this project was that it would create 11 jobs in the Company's  
11 service territory. In actuality, the program created 7.6 jobs or 69% of the  
12 anticipated job creation touted by the Company. I recommend that the Board  
13 consider reviewing the prudence of this project.

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<sup>4</sup> RC-AC-IN-P-8 is a data response provided by the Company in BPU Docket No. EO09010049 and EO09010054 dated 2/27/2009.

1 **Exhibit CPS 9 Comparison of Atlantic City Electric Infrastructure Investment Program’s Projected**  
 2 **Jobs to Actual Jobs Created**  
 3

<b>Project Number</b>	<b>Project Description</b>	<b>Projected Job Creation</b>	<b>Actual Job Creation</b>	<b>Actual as Percent of Projected</b>
Project 1	Replace Mercury Vapor St Lights	11.0	7.6	69%
Project 2	Atlantic Region: Distribution Automation	18.8	10.0	53%
Project 3	Atl Reg: Motor Operated/Gang Switch Upgrades	3.2	0.6	18%
Project 4	Install Tree Wire/Spacer Cable - Cape May	1.9	2.6	135%
Project 5	Install Tree Wire/Spacer Cable - Glassboro	12.1	8.4	70%
Project 6	Install Tree Wire/Spacer Cable - Pleasantville	0.5	0.4	75%
Project 7	Install Tree Wire/Spacer Cable - Winslow	0.2	0.5	253%
Project 8	Winslow - Planned URD Cable Replacement	3.2	1.2	38%
Project 9	Dist Misc Substation Relay Replacement - Atlantic	0.6	0.2	29%
Project 10	Atlantic Distribution Substation Battery and Charger Replacemer	0.4	0.1	23%
Project 11	Beesley Sub - Install 23/4 x 12 MVA Transformer	1.8	0.9	49%
Project 12	Atlantic Sub Replace Deteriorated Dist Breakers	0.4	2.2	547%
Project 13	Atlantic City - Upgrade Primary Network	6.0	3.0	50%
Project 14	Feeder Reliability Improvements	22.2	17.4	78%
Project 15	Salem-Retire 4kV, Upgrade 34kV & Relay Enclosure	2.9	1.2	40%
Project 16	SPCC Plans - Install Oil Containment	6.4	2.9	46%
	<b>Total</b>	<b>91.6</b>	<b>59.0</b>	<b>64%</b>
<b>Notes</b>				
Data from RCR-REL-21				

4

5 **Q. Do you have a recommendation concerning the Company’s Infrastructure**  
 6 **Investment Program?**

7 A. Yes. I recommend that the Company submit to the Board a complete set of  
 8 updated financial and project detail documents including all agreed upon  
 9 information that was contemplated under the Stipulation Agreement for re-  
 10 evaluation by the Board. Updates to the program spending and job creation  
 11 projections should be re-evaluated by the Board to determine if the previously  
 12 agreed to projects continue to be prudent investments.

1 **VIII SUMMARY**

2 **Q. Please summarize your conclusions and recommendations regarding the**  
3 **ratemaking issues concerning ACE's rate case filing?**

4 A. The Company's reliability performance has been as Overland Consulting put it  
5 "mediocre" and the performance has been declining over time for the past ten  
6 years without any real effort to correct the problem during that time period. The  
7 performance of some circuits on the system has been problematic for multiple  
8 years and customers on these circuits have been receiving a very poor degree of  
9 service reliability. While the Company has made commitments to improve its  
10 reliability performance there is little in the way of incentive to ensure that the  
11 Company will continue with these efforts. I recommend that the Board consider  
12 implementation of a financial penalty for failure to meet the Board-established  
13 reliability performance standards. The level of penalty should be consistent with  
14 penalties imposed by other similar regulatory agencies. The Board may consider  
15 initiating a formal investigation for the development of a set of financial penalties  
16 that would be appropriate for implementation within the state of New Jersey. I  
17 also suggest that the Board review the process for review of the Company's worst  
18 performing circuits and consider establishing a requirement that circuits not  
19 appear on the list of poor performing circuits more than twice in any given five  
20 year period.

21 The costs versus benefits associated with the infrastructure investment program  
22 have failed to meet expectations. I recommend that the Company submit to the



1 Board a complete set of updated financial and project detail documents including  
2 all agreed upon information that was contemplated under the Stimulus Stipulation  
3 Agreement for re-evaluation by the Board.

4 **Q. Does this conclude your testimony?**

5 A. Yes. However, I reserve the right to supplement my testimony based on further  
6 updates to discovery and ACE's rebuttal testimony.

**ATTACHMENT CPS-A**



## Charles P. Salamone PE

### Charles P. Salamone, P.E.

**Profession:** Power systems analysis and assessment, with a special emphasis on transmission planning, performance and design

**Nationality:** U.S. Citizen

**Years of Experience:** 37 years

**Education** B.S.E.E, Power System Engineering, 1973  
Gannon University, Erie, PA

**Position:** Owner/Manager, Cape Power Systems Consulting

**Web/Email:** [www.CapePowerSystems.com](http://www.CapePowerSystems.com) [csalamone@capepowersystems.com](mailto:csalamone@capepowersystems.com)

**Contact Number:** 774-271-0383

**Summary:** Mr. Salamone provides professional services based on his 37 years of experience in the areas of Transmission Planning, Substation Planning, Distribution Planning ISO-New England Procedures, New England Power Pool Procedures, Congestion Management, Generator Interconnections, Meter Engineering, Planning Budget Management, and State (Mass DPU and New Jersey Rate Council) and Federal (FERC) Regulatory Agency Filing Development and Expert Witness Testimony

Experience:

**2005- Pres. Cape Power Systems Consulting**

Established a power system design, analysis, planning and assessment consulting company to work directly with diverse power system stakeholders.

- \* Worked with a number of clients concerning development of analysis, reports and presentations in support of regulatory and technical review/approval process for transmission and distribution projects.
- \* Provided technical assistance for transmission planning activities for an Independent System Operator including support for major transmission system expansion programs and development of a 10 year transmission plan



## Charles P. Salamone PE

- \* Worked with state regulatory agencies in support of electric utility rate case proceedings including expert witness testimony and assessment of electric utility performance.
- \* Worked with multiple state regulatory agencies in support of review of electric utility smart grid initiatives including review of the technical performance and viability of proposed electric utility programs.
- \* Developed and conducted a comprehensive training program for implementation of EMS based transmission system security assessment procedures for a large Massachusetts utility
- \* Worked with Massachusetts Technology Collaborative providing technical support concerning electric utility design and analysis activities

### **1979-2005 NSTAR (Previously Boston Edison and Commonwealth Electric)**

#### **2000-2005 *Director System Planning***

NSTAR (Previously Boston Edison and Commonwealth Electric) Boston, MA

- \* Responsible for long term planning of Company transmission, substation and distribution systems
- \* Successfully managed the studies, design, internal and external review and regulatory approval for a \$250M 345 kV underground transmission expansion project serving the greater Boston area
- \* Managed numerous generator interconnection studies, design and approvals
- \* Successfully managed studies, design and approval for congestion mitigation plans and expansion project
- \* Oversaw transmission and distribution planning efforts to establish a comprehensive 10 year \$300 million system expansion plan
- \* Served as Company representative on NEPOOL Reliability Committee and the New England Transmission Expansion Advisory Committee
- \* Served as Company expert witness for system planning related regulatory proceedings at both the state and federal levels.
- \* Supervised a staff of 10 senior engineers

#### **1989-1999 *Manager, System Planning and Meter Services***

Commonwealth Electric Company, Wareham, MA

- \* Develop risk based prioritized \$10 million construction budget procedures
- \* Supervise a staff of 6 professional engineers and 4 analysts
- \* Served as chair of the NEPOOL Regional Transmission Planning Committee (currently the NEPOOL Reliability Committee)
- \* Process billing determinant and interval data for all major system customers
- \* Lead implementation of first MV90 meter data processing system
- \* Develop annual performance analysis reports for all transmission and major distribution systems
- \* Manage multiple FERC tariff based transmission customer and generation developer system impact studies



## Charles P. Salamone PE

- \* Served as expert Company witness in State and FERC regulatory proceedings
- \* Implemented a risk index for prioritization of all transmission and major distribution construction projects
- \* Implemented automated electronic processing of major customer billing data, which significantly reduced time needed to generate bills
- \* Served as lead member on information technology company merger team
- \* Implemented process and equipment to perform all tie line, generator and wholesale customer meter testing
- \* Served as chair of the NEPOOL Planning Process Subcommittee, which established numerous NEPOOL policies for transmission/generator owners
- \* Served as Vice-Chair of the NEPOOL Reliability Committee

### 1984-1989 *Meter Engineer*

Commonwealth Electric Company, Plymouth, MA

- \* Designed and supervised installation of 15 generator meter data recorders
- \* Developed customer load plotting and analysis software
- \* Developed meter equipment order data processing system for four remote offices
- \* Implemented PC control of meter test boards, which significantly reduced processing and record keeping time
- \* Managed programming of all electronic meter registers to insure accurate data registration

### 1979-1984 *Computer Application Engineer*

Commonwealth Electric Company, Wareham, MA

- \* Implemented numerous technical and analytical software applications for engineering analysis
- \* Served as member of decision team for implementation of a new SCADA system

### 1978-1979 *San Diego Gas & Electric, Planning Engineer*

San Diego Gas & Electric Company, San Diego, CA

- \* Performed extensive stability analysis for a new 230 kV transmission interconnection with Mexico
- \* Performed transmission design and performance analysis for a new 250 mile 500 kV line from San Diego to Arizona

### 1973-1978 *New England Gas & Electric Association, Planning Engineer*

New England Gas & Electric Association, Cambridge, MA

- \* Performed extensive stability analysis for a new 560 MW generating plant on Cape Cod
- \* Developed transmission plan for a new 345 kV transmission line on Cape Cod
- \* Developed plans for design and siting of new 115 / 23 kV substations on Cape Cod