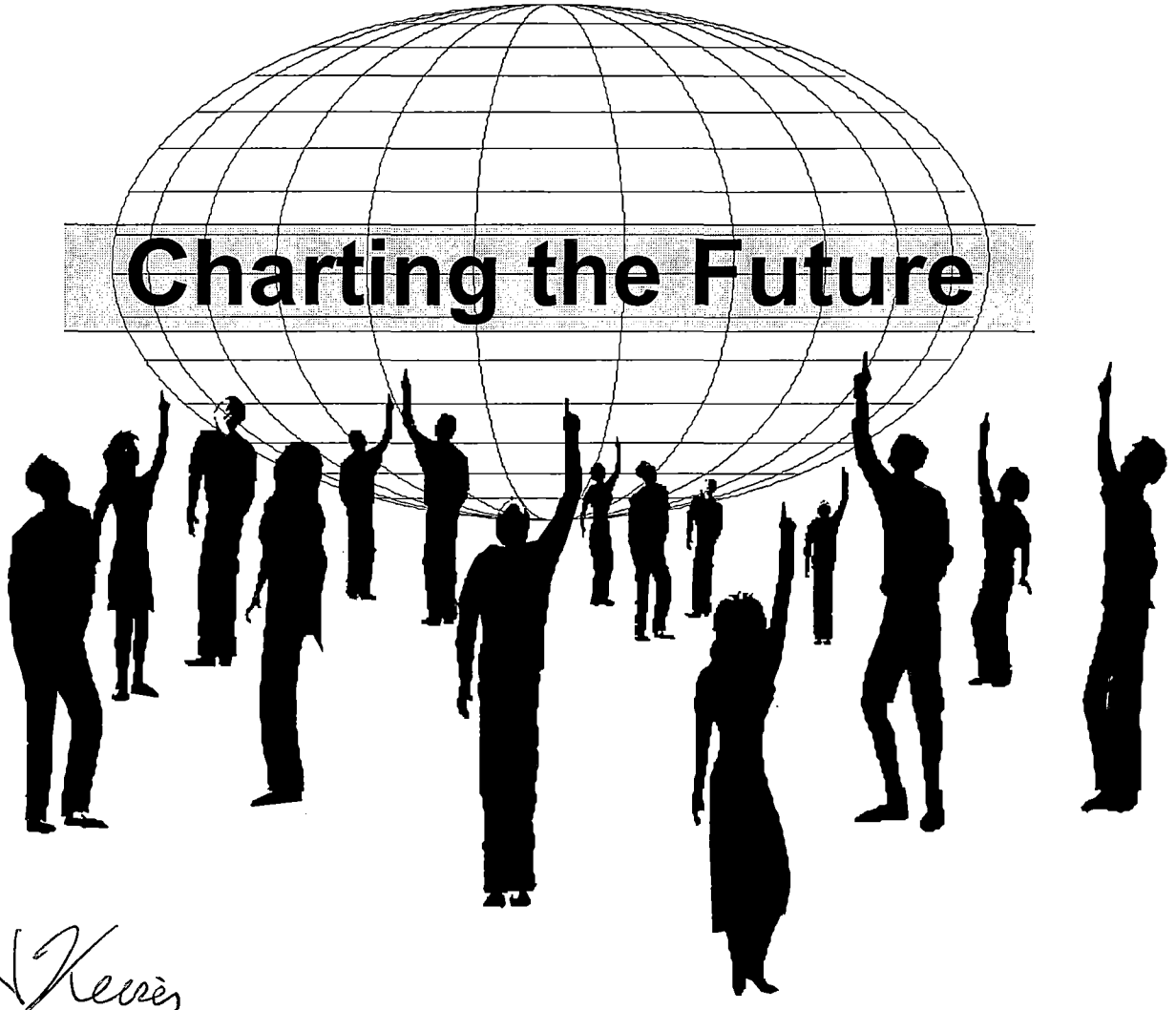
The Power of Commitment

PSE&G

NUCLEAR BUSINESS UNIT



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Introduction

On May 2, 1998, Public Service Electric & Gas (PSE&G) reached 100% power on Salem Unit 1. This achievement culminated almost three years of recovery activities on the two Salem units and once again established a site with three operating nuclear power plants.

Safety Focus Leads To Reliability Which Leads To Lower Cost Of Production

This milestone represents an important point along our journey, one where our focus on recovery is changing to a focus on our long-term goals. The change in focus presents a number of internal challenges such as in our management style and the way that we control work. External challenges are also being presented to the nuclear industry as a whole, primarily due to the emerging competitive environment for electric utilities. Notwithstanding these challenges, we recognize that our focus on safety must be maintained as we go forward. The Nuclear Business Unit's (NBU) philosophy, which is being embraced by our entire workforce, is that *excellent safety performance leads to excellent plant reliability and, this in turn, results in competitive cost of production.*

Purpose Of This Communication

The purpose of this communication is to demonstrate why the fundamental changes achieved since the shut down of the Salem units warrant confidence that our three nuclear units will be operated and maintained in a safe, reliable and event-free manner. This is happening and it will continue into the future.

To support this position, we first will describe the steps being taken to ensure that safety focus is maintained. Next, we will describe how we are building on the solid foundation established through our recovery efforts. Finally, we will describe how we are capitalizing on our current momentum to achieve our goals of safe, reliable and cost-effective operation.

Our Direction Is Deliberate And Thoughtful

Although we are not where we want to be yet, we are moving forward in the right direction. The Hope Creek plant operated almost continuously for 535 days for the most recent cycle and the two Salem units have been recovered and restarted with safe, conservative operation. Nevertheless, as we move along the path towards excellence, we will do so in a deliberate and thoughtful manner. Accordingly, we are taking steps to better monitor for indications of declining performance. These efforts will enable us to act more swiftly and effectively when such signs are detected. Our approach

is consistent with recognized best practices in the industry and we continue looking for opportunities to improve in this area.

The NBU Has Become A "Learning" Organization

The NBU has accomplished substantial change in plant, people and process. This is most clearly demonstrated by our ability to successfully operate, maintain and improve the Hope Creek plant while we completed our recovery and startup efforts for Salem Units 1 and 2. The lessons learned during these efforts have been effectively used to improve our capabilities in Oversight, Operations, Maintenance and Engineering, as well as in Emergency Preparedness, Security and Training. As a whole, the NBU is becoming a "learning" organization (*e.g.*, when mistakes are made they are not just fixed, but are analyzed and corrective actions are effectively used to improve future behavior).

Actions Are Underway To Help Us Reach Our Goal

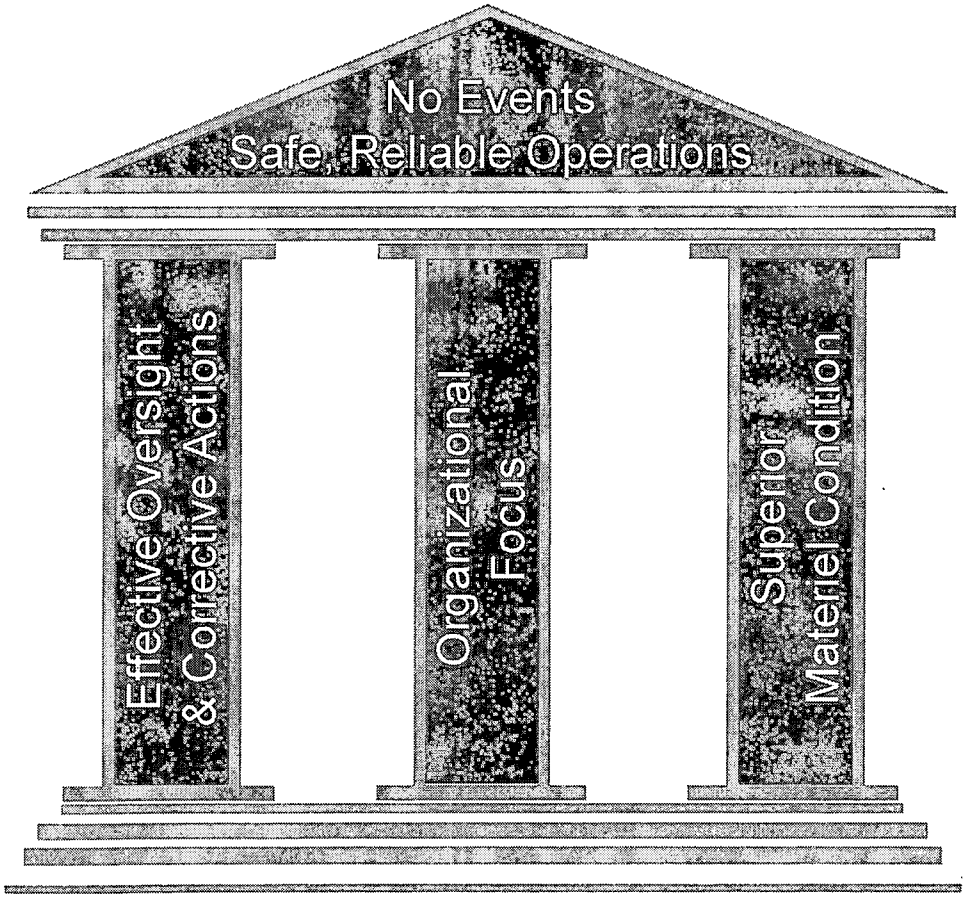
A number of actions are underway to help us take advantage of our momentum and build on the foundation of success created through our recovery efforts. These actions include continued focus of supervisory leadership skills and enhancing behaviors, Business Process Redesign, and establishing a "one-site" philosophy. Each of these activities reinforces the desired behaviors of our people that ultimately will help the NBU achieve its goal of top quartile performance.

This paper describes where we were, where we are and where we are going. It demonstrates that our performance trend is positive.

Maintaining Safety Focus

As we move forward, ensuring that we can effectively recognize the indications of declining performance is a key factor to attaining our long-term goals. Such recognition must start with an understanding of where our performance is at any point in time. The Institute of Nuclear Power Operations (INPO), in collaboration with a number of chief executive officers and senior nuclear executives around the country, has identified several areas that can be monitored to detect declining performance. These areas basically include: (1) corporate governance and oversight; (2) management and staff capability; (3) operating philosophy and standards; (4) corrective action and self-assessment effectiveness; and (5) implementation of the results of performance monitoring.

Within the NBU, we have streamlined these concepts to help us better focus on safety. The icon below illustrates our approach and, from left to right, generally corresponds to the elements of process, people and plant, respectively.



Oversight And Corrective Action Programs Form A Defense In Depth Structure

The first pillar of the icon, *Effective Oversight And Corrective Actions*, combines the elements of corporate governance and oversight with corrective action and self-assessment effectiveness. The NBU uses a layered, defense-in-depth approach to address these elements. At the corporate level, the Public Service Enterprise Group (Enterprise) Board of Directors uses a Nuclear Committee to ensure that they are fully informed of activities within the NBU. The Committee routinely receives separate briefings from the Chief Nuclear Officer and the Nuclear Review Board, an independent group of experts tasked with monitoring safety at the three plants.

Below this layer, the NBU uses its Quality Assurance (QA) organization and other internal groups such as the Nuclear Review Board (NRB), the Nuclear Training Oversight Committee (NTOC) and the Corrective Action Review Board (CARB) to monitor and assess performance. During our recovery, special groups were added to provide further assurances that performance was effective. These groups included the Management Review Committee (MRC) and the Test Review Board (TRB).

Augmenting these oversight layers are our corrective action and self-assessment programs. The ultimate responsibility for these programs is vested in our line organizations. An important element of our corrective action program is its low threshold, high volume system for identifying potential conditions adverse to quality.

In this defense-in-depth configuration, we are involving many levels of the company in the performance monitoring process. Further, by using this configuration, we provide more opportunities for identification of declining performance. This occurs not only because greater numbers of people are involved, but also because the diversity of people involved allows broader and more experienced evaluation of performance.

Self-Assessment Is Maturing

In the self-assessment area, we continue to mature. We currently are implementing a site-wide procedure that provides guidance to the line organizations on how to conduct self-assessments. This step will foster continuity in assessments and clearly communicates the message that self-assessment is a day-to-day line function. We are also implementing a process to incorporate each department's self-assessment information into our overall corrective action

program. This increases the input to our oversight process and, in turn, provides the opportunity for greater insight into potential problems.

Corrective Action Effectiveness Needs Near-Term Improvement

While our oversight, corrective action and self-assessment processes have been functioning acceptably, we recognize that further improvements in the area of corrective action effectiveness are necessary. Our low threshold, high volume approach is working, but it is testing our ability to decrease backlogs. Consequently, we are focusing more intently on improved corrective action trending, root cause analysis, and line ownership and oversight of the corrective action and self-assessment programs. The actions being taken include: (1) enhancing cause codes, (2) benchmarking at other utilities on trending report content and format, and (3) conducting additional training for managers and supervisors to upgrade their understanding of our current corrective action tools.

Monitoring Expectations For Results

In addition, we recognize that our performance monitoring tools must continue to improve. For example, our current set of performance indicators has proliferated. While many of them remain useful, we are refining and refocusing them to be more predictive in nature. We are using industry standards as a base and customizing the performance indicators to cause change. We are eliminating indicators not aligned with the Business Plan, increasing the frequency for collecting data and developing a new "intranet" system so that they are easily and readily available throughout the organization.

Another tool that we are focusing on is our commitment-tracking process. Currently, as part of our Business Process Redesign (BPR) effort and the new Document Control Records Management System, the process is being revamped to enhance the accuracy and availability of commitment tracking information. This effort should improve our ability to effectively use the information when licensing and design basis decisions are being made.

Management And Staff Capability Continues To Improve

The second pillar of the icon, *Organizational Focus*, combines the elements of management and staff capability with operating philosophy and standards. Today, most of our people are experienced, seasoned veterans as a result of the recovery efforts. Hiring from within the industry has broadened our knowledge base and provided more insight into the best industry practices. Our management team is

stable and succession planning shows "bench strength." In the training area, we continue to improve. Our most recent assessment by INPO acknowledged a number of areas where we have made progress. From our own viewpoint, we have seen the functional line organizations take ownership of the training program and the training department is more responsive to their needs.

Expected Behaviors Are Being Exhibited Regularly

In terms of operating philosophy and standards, the key question is whether our employees regularly demonstrate behaviors consistent with management expectations. Although we are not where we want to be yet, we believe our people are exhibiting these behaviors more frequently. Several brief examples illustrate this conclusion.

Examples Of Questioning Attitude And Conservative Decision-Making

Hope Creek's most recent operational cycle was halted when an equipment operator noticed an unusual odor coming from one of the 500 kV transformers. Up until this point, the unit had operated almost continuously for 529 days out of a possible 535 days for the cycle, with only a short, planned six-day equipment outage. The report of the situation to the control room supervisor ultimately lead to his prompt decision to commence an orderly shut down of the unit. The operations superintendent subsequently reinforced to the control room supervisor the appropriateness of the decision. This example demonstrates the questioning attitude of the equipment operator as well as the conservative decision-making of the supervisor.

Examples Of Safety Focus And Coaching

A last example involves a recent interaction between the Salem Station General Manager and an operations superintendent. Specifically, the General Manager received a telephone call from the operations superintendent late one evening. The call was to notify the General Manager that the superintendent had reduced power on Unit 1 to 92 percent since testing was being conducted and he wanted to give himself some margin. The General Manager thanked the superintendent and reinforced that he had exercised the desired "operate-safe" behavior. In this case, while the superintendent had clear authority to make the decision on his own without notifying the General Manager, he chose to do so as an extra measure of caution; thus, demonstrating his safety focus. Likewise, the General Manager demonstrated how positive feedback is becoming more the norm in our management style.

Staff Proficiency Is Improving, But Further Management Attention Is Required

As these examples indicate, we continue to develop our people. However, there remain areas for further management attention. We must maintain our emphasis on developing leadership skills, particularly among the Operations personnel. We also need to realign certain organizational connections to enhance responsiveness between departments. Such realignment is needed in the system engineering area to help the staff better address emergent work. Another area for further attention is operator training. In this area we need to ensure that our standards match those of the best performers in the industry. As a final example, we need to do a better job at communicating within the NBU, in particular in the way we reward employees for demonstrating expected behaviors.

The third pillar of the model is *Superior Materiel Condition.* How materiel condition contributes to superior plant performance is several-fold. First, a well maintained plant significantly reduces challenges to the Operations staff. Second, a well-maintained plant allows more time for outage planning rather than constantly focusing personnel on emergent work. Third, a well maintained plant helps assure that systems and equipment remain available. In turn, this ensures that engineered safety features remain operable.

Materiel Condition Has Improved

We believe that the substantial plant modifications and related equipment upgrades at the two Salem units have provided the NBU with an excellent base on which to build superior performance. Likewise, improvements have been on-going at Hope Creek, aided by the enhanced work-week management process that was implemented in 1996. The uneventful response of Unit 1 during startup and testing, and the sustained excellent operation at Hope Creek supports a conclusion of improved materiel condition.

Nevertheless, we recognize that there remain areas where additional management attention is needed. Some of the areas for improvement include the following:

- Close monitoring of circulation and service water grass intrusion;
- backlog reduction;
- configuration control;
- preventive maintenance implementation;
- completing the Fire Wrap and Licensing/Design Basis Upgrade Projects;

- certain system or component upgrades (*e.g.*, primary safety valves, secondary plant small-bore pipe and some steam feedwater valves) and;
- Unit 2 primary safety valve leakage.

No Events Means No Challenges To People, Plant And Process

When properly addressed, the pillars of the model illustrated above combine to ensure that no safety events occur. With persistent attention and a desire to learn from experience, application of the model results in safe, reliable and cost-effective operation of our three nuclear units. The challenge immediately in front of us is to build on our recent successes in a way that continues producing these same results.

Building On Our Foundation For Success

In June 1997, PSE&G reported to the Nuclear Regulatory Commission (NRC or Commission) on its readiness to restart Salem Unit 2. We detailed the substantial activities that made up our recovery effort and described the changes that had occurred in the areas of plant, people and process. At the end of our presentation, we briefly discussed the continuation of our journey towards excellence. Specifically, we summarized where we were at that time with the following three points:

Our Recovery Efforts Established A Solid Foundation

- Plant, People, and Process had been successfully integrated, forming an organization centered around Quality;
- The Management Team was firmly committed to continued improvement into the future; and
- Accountability was viewed as a key to our continued success.

We again reported on our progress in January 1998 as we were completing modifications at Salem Unit 1 and readying ourselves for the startup and testing of the unit. Among other items, we identified the key milestones achieved since June 1997. We also discussed how the activities completed during readiness for restart and during startup and power ascension of Salem Unit 2 created a solid experience base for Unit 1 startup activities.

Fundamental Behaviors Have Been Firmly Established

Since our last progress report, we successfully completed the startup of Unit 1. This demonstrated that we have firmly grounded our people in fundamental skills and behaviors. These fundamentals include effective leadership, productive

teamwork, effective training, a questioning attitude, conservative decision-making, personal accountability and effective oversight.

Changing People's Behaviors Was Our Greatest Challenge During Recovery

Improving these fundamentals in our people was probably our greatest challenge during the recovery. We began with a new performance management process that emphasized constructive feedback to our associates. In parallel, we trained our supervisors on the Labor / Management Principals (MARC), stressing fairness and consensus management. We then trained our supervisory / management team in the concepts of Safety Conscious Work Environment and implemented a comprehensive Employee Concerns Program that stressed the importance of maintaining a welcoming climate for raising concerns.

Grounding The Organization In Fundamentals

To institutionalize these fundamentals, the management team exercised substantial oversight of the work activities. This included direct assessment by management and strong Quality Assurance oversight, as well as iterative review processes to ensure that people exhibited the expected behaviors (*e.g.*, Labor / Management Principals (MARC) and department performance reviews).

In short, our workforce had to be shown what these fundamentals looked like and were led forward using significant, hands-on management involvement. Importantly, our people are different today. They recognize that for PSE&G to reach its long-term goals, they must be accountable for consistently demonstrating these fundamental skills and behaviors. Additionally, the transition to a more participative management style is taking place.

Together, the achievements of our startup efforts for the two Salem units and the progress made at Hope Creek during the same time period have demonstrated our ability to arrest and then reverse the declining performance trend that existed prior to 1995. We believe that our initiatives to date have yielded the desired result of putting the NBU on a positive trend towards future excellence.

The NBU Is Becoming A "Learning" Organization

One of the key reasons why this trend will continue is that the NBU is becoming a "learning" organization. Overall, we are more consistently learning from our shortcomings and taking corrective actions that are timely and lasting. Some key lessons that we have learned along the journey illustrate this point.

Effective Training Means Strong Interaction Between Trainer And Trainee

First, we learned that we must pay close attention to maintaining the skills of our workforce. During the recovery effort we initiated training interventions in the Operations and Maintenance departments. We recognized that the line organizations must have greater input into the training process to ensure that their needs are met. We have since adjusted our training process to accommodate this approach. In addition, we recognized that our reliance on vendor representatives had to substantially decrease. In other words, our workforce needed to be experienced on the equipment so they could maintain it themselves. Again, we are adjusting our training program to accommodate this shift.

High Training Standards Are A Key Success Factor

Incorporating these and other lessons learned into our training program contributed to the health interchange during the Accreditation Team Visit (ATV) of our operator training programs by the Institute for Nuclear Power Operators (INPO) in May. This ATV is significant because it is the first time that the training programs for both Hope Creek and Salem were evaluated together. While strengths as well as weaknesses were identified, the strong evidence that the training programs are improving demonstrates how we have learned as an organization.

Productive Teamwork Yields A Winning Organization

Another important lesson learned was the need to work more closely together as an organization. In the past, we operated Hope Creek and Salem essentially as separate entities. This approach also carried over to many of the support organizations within the NBU. It, therefore, is not surprising that this situation contributed to a lack of focus within the workforce and resistance to change at the beginning of the recovery effort.

Today, with substantial time and effort behind us, we are seeing a different result emerge. Two recent situations illustrating this are the Operational Safeguards Response Evaluation (OSRE) conducted in April and the Ingestion Pathway Exercise conducted in May.

Effective Leadership Coupled With Teamwork Means Everyone Pulling Together

Regarding the OSRE, a number of NBU departments pulled together prior to the assessment to accomplish numerous security enhancements (*e.g.* bullet resistant enclosures and delay fencing). Engineering personnel took Security's ideas and helped refine them. Maintenance personnel interpreted the refined ideas and installed the physical security aids using

in-house (not contractor) resources. Salem and Hope Creek Operations personnel provided expertise in defining "targets" that needed to be protected. Loss Prevention and Maintenance personnel volunteered to be controllers during drills. NBU senior management provided leadership and resources to make the required changes. Working together was the key to the successful outcome of the assessment, and again this demonstrates how the NBU is maturing as a learning organization.

High Standards And Teamwork Means Everyone Wins

Similarly, the NBU recently hosted an Ingestion Pathway Exercise that was the largest in the U. S. in the past eight years. Working together with all of our various internal and external organizations was critical to the NBU demonstrating that the nuclear industry is capable of protecting the public in the unlikely event of an accident. Numerous PSE&G associates, teaming with hundreds of federal, state and local officials, coordinated their programs, training and pre-exercise drills to accomplish a multi-day activity that received high marks from everyone involved.

"One-Site" Philosophy Fosters Teamwork

To further mature as an organization, we must continually look for opportunities to build on our foundation for success. Last fall, we recognized that greater teamwork and productivity could be attained through some organizational restructuring. Consequently, we set in motion the plans to integrate the Maintenance and Engineering organizations for Salem and Hope Creek. Prior to this time, only a few support organizations like Security, Emergency Preparedness and Quality Assurance were common to both stations. The integration of Maintenance and Engineering was accomplished this spring. The results are promising and, as will be discussed in more detail below, the NBU is in the process of implementing a "one-site" philosophy to integrate all organizations.

Unit 1 Start-Up Shows A Learning Organization

Other examples that show the NBU as a learning organization include how we used our Unit 2 recovery and startup experience and how we have integrated our operational goals into our Business Plan for the future. Concerning the Unit 2 recovery, lessons learned were effectively utilized during the Unit 1 startup. Unit 2 problem equipment was fixed on Unit 1 and the schedule was adjusted to do the complex tasks first. Test procedures were improved, test set-ups and sequencing of activities were better controlled, planning was more complete and experienced test engineers applied their

knowledge. These actions and others derived from our Unit 2 efforts resulted in an event free startup for Unit 1 that took 35 days less than the one for Unit 2.

Business Planning Provides Clear Direction

Finally, the 1998 Business Plan was developed with a renewed focus on excellent safety performance leading to excellent plant reliability, resulting in cost-competitive electricity. The Plan was communicated to our people and describes in detail the measurable and achievable goals that are driving the organization.

- No Events, through safe and conservative operations, is resulting in on-line performance of all three nuclear units.
- 80 percent Capacity Factor for 1998, demonstrating good equipment reliability, is currently on target.
- Planning for the three outages in 1999, is a challenge that requires teamwork across the NBU and is well underway.
- Business Process Redesign, is progressing to streamline our processes and gain efficiencies.

These goals have been translated into individual department goals, objectives and action plans that are being tracked by management. Our people understand both where we are going and why we must meet each of the goals to be successful as a nuclear power electric generator.

Capitalizing On Our Momentum

Our recent successes have energized our workforce and they are highly motivated to take on new challenges. We recognize that it is important to capitalize on this situation; but we also recognize that we must do so in a systematic manner. Focusing on too many things can create confusion and, ultimately, misdirect our valuable time and resources.

At the same time, we are very aware that the momentum from our recent successes alone cannot sustain us. Our people need to be actively engaged in addressing new challenges now, or we risk losing their focus and energy.

To further catalyze and keep up our forward progress, we are implementing several near-term initiatives. These initiatives involve activities in all three areas: plant, people and process.

Near-Term Initiatives Are Readying Our People For Excellence

In the *plant* area, we know that we must perform on-line maintenance well and complete our outages within the planned work scope and schedule. In the *process* area, we know that our work control process needs additional streamlining to improve productivity without sacrificing safety. And, in the *people* area, we know that we must transition our management style (*i.e.*, from directive to participative), structure pay to reward people for their good performance and, continue to enhance teamwork among all employees. Moving promptly ahead with these improvement efforts allows us to ready our workforce for the important changes that will accompany us as we journey towards our long-term goals and as we enter competition in the electric utility market.

Three key near-term initiatives that are currently underway include: (1) Business Process Redesign (BPR); (2) leadership development of supervisors and enhancing key behaviors of our workforce; and (3) implementation of a "one-site" philosophy. BPR is a strategic redesign of the fundamental nuclear plant processes associated with the areas listed below:

- operate plant;
- work control;
- outage planning;
- materials and services;
- management and administration;
- configuration control;
- equipment reliability;
- training; and
- culture transition.

Business Process Redesign (BPR) Is Helping The NBU Achieve Enhanced Productivity

The BPR initiative is designed to assess the way we work and create more effective work processes. It utilizes the SAP tool, (an advanced software application) that will enable us to make greater use of information sources and thereby achieve improved productivity. Among other things, the SAP tool will allow the NBU to organize work better, minimize handoffs, optimize checks and controls, improve ownership and foster creative problem solving. Also, the SAP computer tool helps drive the responsibility for process control down to the lower levels of the organization, where much of the detailed knowledge of the processes resides and where opportunities for streamlining are more likely to be identified.

The NBU evaluated the potential impacts of the BPR effort and decided to approach implementation in a phased manner. In the first phase, BPR is aimed at the processes that are most closely related to SAP and are likely to provide the most value if redesigned in the short-term. Chief among these is the work control process.

Improved Work Control Is A Priority

The SAP concept, which involves five steps, is being integrated into our current twelve work-week-management process. The five steps will help us produce a schedule that optimizes resource allocation and establish a set of common expectations and procedures to effectively utilize those resources. The five simplifying steps are: (1) identify the need for work; (2) plan the work; (3) schedule the work; (4) execute the work; and (5) closeout or document the work.

The NBU started using the basic twelve work-week-management process at the Hope Creek plant in 1996. The process has been implemented at Salem as each unit restarted. Integrating SAP into the basic work process allows us to view potential safety implications from a site-wide standpoint, share knowledge to improve equipment reliability, achieve economies of scale and foster communication among our people.

To support and begin the implementation of this approach, we have established a common work management center for the three-unit site. All new work activities must pass through the center during the work identification step, where it is evaluated, prioritized and scheduled. An important advantage of this system is that critical work activities are more promptly identified and scheduled for completion. In addition, the common center ensures that consistent priorities and standards are applied to work activities across the entire site.

BPR / SAP Will Be Staged To Assure A Smooth And Safe Transition

For the near future, the NBU plans to complete the first two outages scheduled for 1999 (*i.e.*, Hope Creek and Salem Unit 2) without the SAP tool. In the meantime, the NBU will move forward with BPR and SAP in the financial and human resources areas. The lessons learned from this initial phase will be combined with on-going training to ready us for implementation in other areas. Full implementation of BPR and SAP in the work control area is expected in mid-1999. We believe that the staged approach to implementation will

allow a safe and smooth transition to streamlined processes in the future.

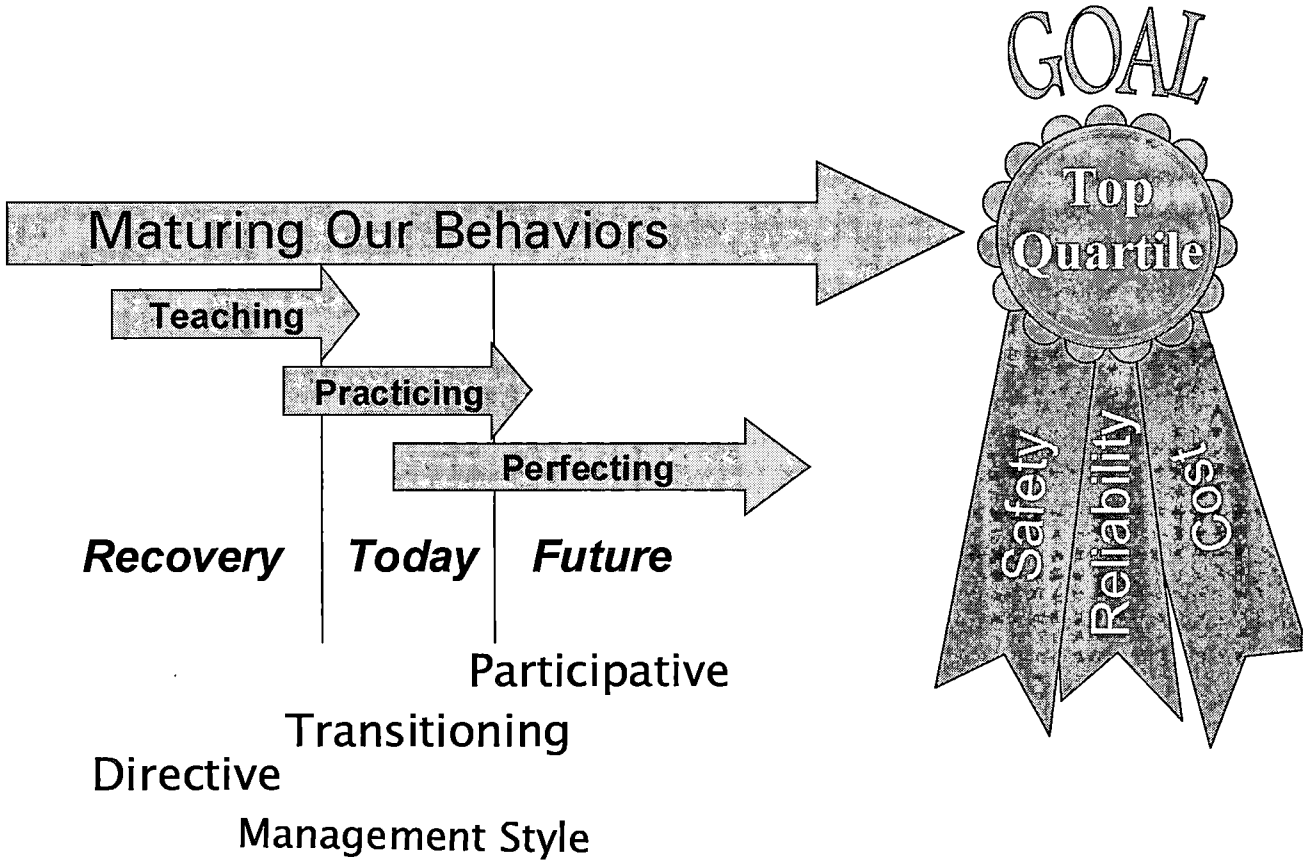
The NBU Is Preparing Supervisors For The Future

The second near-term initiative involves the area of supervisor leadership and enhancing behaviors. INPO, self-assessments and industry assist reports have described supervisory weaknesses that we are addressing. Additionally, the NBU recognized that to successfully utilize the SAP tool, some groundwork in the area of leadership had to take place first. This realization in part came from our experience with SAP implementation on the non-nuclear side of our business. There, when SAP was introduced, it was soon recognized that our supervisors were not fully prepared for the changes that accompanied the new process. Specifically, since SAP drives the responsibility for process implementation down to the working levels of the organization, many supervisors needed enhancement in skills such as, coaching, mentoring and team building. The supervisors will use these skills to help their people implement the new process in a more efficient manner. This furthers our efforts to move from a directive to a participative management style.

The NBU also recognizes that leadership skills must be further improved vertically throughout the organization. Achieving this requires that we understand how people learn new behaviors. Typically, people first have to be shown what the right behaviors are and the benefits for embracing them through *teaching*. One way to initiate this process of learning is to be directive (*i.e.* exercise strong management oversight.). The NBU used strong oversight during the recovery period. Eventually, however, a directive style of management must give way to a more participative style if learning is to continue.

The next step in this transition is to develop a shared approach to *practicing* the desired behaviors. This is where the NBU is today. With BPR underway, managers are returning authority and responsibility to their staff. To support this, senior management has clearly expended a commitment to move away from the management style of the past.

As we develop, we will take the final step to *perfecting* the behaviors by fostering individual accountability and ownership. (The learning model described above is illustrated in the icon below.)



To help us move forward with the learning process, we are integrating our various human resources strategies into a single action plan. The action plan is being coordinated by a member of the senior management team and facilitated by our human resources department. Some of the activities underway include organization streamlining, defining staffing needs, evaluating performance, and better utilization of rewards and recognition.

One-Site Philosophy Brings Enhanced Teamwork

The third near-term initiative involves implementation of the "one-site" philosophy. The objective of the NBU has been steadily moving in the direction of a "one-site" philosophy for the past year. Engineering is now a common organization to all three units as is Maintenance and Planning. Operations has a common operational philosophy and is developing common standards and protocols that will allow better sharing of resources and experience.

The organizational structure to support final implementation of the "one-site" philosophy is currently in place. Management attention is still needed to ensure that everyone is working as a team and that the allocation of resources within the NBU occurs in an efficient manner and with the appropriate safety priorities. Close monitoring of the management style during the transition, to insure that the old behaviors do not return, will be required.

Charting The Future

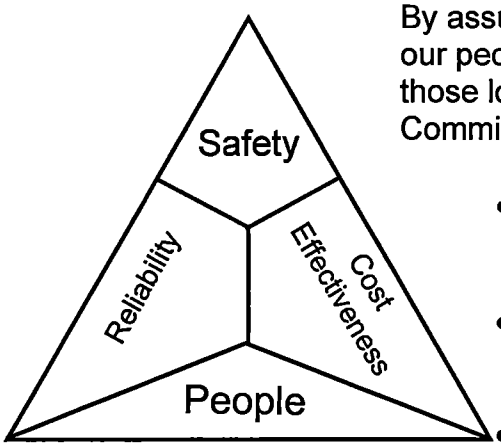
While there still exist areas for further management attention, the discussion above indicates that PSE&G has established a solid foundation on which to build our future performance. The NBU has its sights firmly fixed on assuring safe operation of the three nuclear units. At the same time, we recognize that the NBU is at an important transition point on its journey to excellence. Certain experiences, skills and behaviors are transferable from the recovery period into our "going forward" strategy. Moreover, many of the key behaviors that have been instilled in our workforce must continue to mature if we are to fully achieve our long-term goals.

The NBU is turning to squarely face a rapidly approaching competitive electric utility market. Even though the behaviors and skills gained during the recovery effort served us well, we are continually reexamining them and their underlying assumptions to ensure that we are prepared with the proper tools for the future. While we are able to build on many recent initiatives, our journey to excellence will be a multi-year, multi-phased effort. It involves a fundamental redefinition of how people see themselves within the NBU. No longer can we be people individually trying to succeed for the company, but we must become an inter-dependent team.

People Are Valued And Valuable

This can only be accomplished when our people view themselves not only as valued, but valuable (*i.e.,* team members and partners in our success). The NBU management team understands this principle. We have taken and are taking actions to assure that our people have

an appropriate balance between work and home life. We have modified shifts and added flexible work hours to accommodate this initiative. We are engaging our people as partners through focus groups, whose goals are to bring greater insight to our "going-forward" strategy. Most of all, through programs such as the Corrective Action Program and Employee Concerns, we continue to strongly encourage open and candid expression of ideas, issues and concerns.



Equals
Top Quartile
Performance

By assuring that the above initiatives become firmly rooted, our people will take us to our long-term goals. Just what are those long-term goals? We have communicated them to the Commission before and they are stated below:

- *Safety* -- measured by SALP ratings averaging < 1.25 over three years;
- *Reliability* – measured by three-year average capacity factors greater than 87%;
- *Cost Effectiveness* – measured by nuclear production costs which are at or below 1.0 cents (O&M) per kilowatt hour based on a three-year average; and

All Accomplished Through Our People

When we reach these goals, our workforce as a whole will be fully engaged as a team, operating efficiently and effectively in a competitive environment, with safety always as a first priority.

Conclusion

This paper provides a picture of where we were, where we are and where we are going. We believe that our steadily improving trend will continue in the positive direction and will result in top quartile performance on or before the year 2001.