

Leading with Energy in a Changing World

An Interview with **Ralph Izzo**,
Chairman, President, and Chief Executive Officer, Public Service Enterprise Group Incorporated (PSEG)



Ralph Izzo

EDITORS' NOTE *Ralph Izzo was elected Chairman and Chief Executive Officer of PSEG in April 2007, having become the company's President and a member of its board of directors the previous October. Prior to this, he held several executive positions with the company since joining it in 1992. Izzo began his career as a research scientist at the Princeton Plasma Physics Laboratory. He received his B.S. and M.S. degrees in mechanical engineering and his Ph.D. in applied physics from Columbia University. He also received an M.B.A. from Rutgers Graduate School of Management. Izzo serves as chair of the Rutgers University Board of Governors and on the boards of many civic, philanthropic, and industry organizations.*

COMPANY BRIEF *Public Service Enterprise Group Incorporated (www.PSEG.com), a publicly traded diversified energy company, is one of the nation's largest wholesale energy producers and electric and gas delivery utilities. Under Izzo's leadership, PSEG has become increasingly known for its clean energy investments and wide-ranging efforts to support a sustainable future in partnership with its many stakeholders in New Jersey and beyond the state. The company has approximately \$30 billion in assets and three principal subsidiaries: Public Service Electric and Gas Company (PSE&G), PSEG Power, and PSEG Energy Holdings.*

How have the companies in the group been positioned during the downturn and where will the growth come from going forward?

One of the key attributes of the company is a relentless focus on operational excellence, so we make sure the assets we currently own are run in an optimal fashion – safely and reliably with minimal impact on the environment. We also make sure we meet our customers' current needs and anticipate what their future needs will be. Additionally, we work hard to ensure that we have a diverse set of assets, which has served us well over many years.

How important has investing in new technology been for the company?

New technology is present in less visible ways when we do substation designs or select components for our grid, for instance. It's most visible to people at the macro level when we talk about investing in solar, wind, or nuclear technology.

We've stayed a step ahead of required environmental improvements without getting too far ahead of the costs associated with those. So we are investing in solar because renewables will be a significant part of the energy mix in the future, though still a small part of the mix at this time. As long as costs to the environment of other energy generation methods are not adequately recognized, emerging green energy technologies will continue to need some level of subsidy to compete and grow.

While fossil fuels will have some limits to them over the long term, right now, the beneficial effects of natural gas, both in terms of price and its impact on the environment, favor it over building a new nuclear plant.

So we're constantly looking at trade-offs in terms of the nation's environmental agenda versus what the economics and customer impact mean today and tomorrow.

Is the right dialogue taking place over the energy future of the U.S. and are you optimistic that a true energy policy will develop?

Yes. Broadly speaking, we've been moving in the right direction for decades. People would like a document that says, this is the path we should pursue now and forever. But energy policy is done through incremental steps, considerable give and take, and constant dialogue to take into account new information. Currently, there is more emphasis on how we can grow the use of energy in a way that is more sustainable.

How have you seen Newark evolve over the years and is there a good understanding of the opportunities the city offers?

Absolutely. Mayor Booker has been a tremendous asset to Newark and to the region. We meet on a quarterly basis to discuss macroeconomic issues and energy policy issues. Our relationship makes me feel we have a real partner who focuses on day-to-day issues that are important to a business headquartered in the city and takes a genuine interest in our prospects for the future.

Newark's evolution is evident in tangible ways – there are tremendous assets here, from educational institutions to the performing arts center and the sports arena. And we shouldn't be shy about advertising our access to Manhattan. Newark is an important part of an attractive regional economic powerhouse.

What makes for an effective CEO today?

In our industry and with a company like ours, which is fairly well established, it involves constantly trying to be a good steward of the resources that have been inherited as CEO. Am I making sure we're taking care of our customers and doing what they expect us to do? Are we maintaining and operating our plants in a way that is safe and reliable?

From there, I look at social, political, and economic trends: What is society calling for right now? In our case, it's energy efficiency, renewable power, and making sure the existing assets have additional technology built into them so that their environmental impact is reduced.

When putting those factors together, I make certain to articulate expectations as clearly as possible to our employees, allow them to have the resources they need to be successful, and ensure we fairly reward them when they are successful. That is a conversation I have with my executive team as well as with my entry-level employees.

I also talk to CEOs about where New Jersey and the nation are headed. So it's about constantly integrating data from as many different sources as possible and translating that into what it means for everyone in the company – never forgetting that people are our most important asset.

What is your focus two to three years out to make sure the business remains strong?

We want to make sure that the very successful efforts to deregulate the industry are kept on track and that we preserve the efficiency and effectiveness of competitive wholesale power markets. Recently, they have encountered some tinkering that could damage the long-term viability and benefits that consumers derive from efficient competition – that relates to our power production business.

On our regulated side in our distribution and transmission business, our emphasis is on inventing the utility of the future – one that is not limited to simply laying down pipe and wire but one that can do more for the customer in helping reduce his or her bill in the form of making energy efficiency improvements at the premises, be it at a house, university, or hospital. That is a role that increasingly other states are turning to utilities to be active participants in and we're starting to do more of that in New Jersey.

At the same time, we continue to invest on a large scale to improve New Jersey's energy infrastructure. A world-class energy network goes hand in glove with a world-class economy. ●