

ONE-STOP SHOPPING

At S.M. Electric Company, Inc. we take pride in our distinctive ability to deliver “one-stop shopping” for whatever project you may propose. From utilities and transportation to pharmaceutical and commercial projects, you can rest assured that we can provide all the services you need to see your job through to completion. This ability to “do it all” stems from our long-term commitment to cultivating strategic alliances with top vendors and suppliers in their respective fields. In fact, many of these partners have been with us almost from our start.



In our 60-year legacy, we have learned to focus on what we do best, providing our customers with the full complement of electrical contracting services. When a large scale job entails work outside our realm, we draw from our trusted team of expert contractors with proven records for optimum performance and reliability. Over the years, S.M. Electric has been fortunate to build strong working relationships with preeminent engineering and design firms and major equipment manufacturers. We also partner with leading vendors in the business, providing specialty services in areas such as excavation, transmission, telecommunications, construction engineering and infrastructure planning, among others. Being able to rely on these strategic

alliances, rather than having to separately screen and contract specialty firms, is just one example of how we can add value to your projects.

This “one-stop shopping” principle holds true for the union workers we bring to your project as well. Thanks to our decades-long alliance with the International Brotherhood of Electrical Workers (IBEW), S.M. Electric is consistently able to attract the best and the brightest; obtaining highly qualified and skilled technicians in a competitive environment marked by increasing shortages of suitably trained workers. This rapport can also be credited in part to our strong safety record and history of mishap-free job sites.

What does our “one-stop shopping” mean to you? It means the convenience of S.M. Electric as the single point of contact for your particular project. It means potential time and cost savings as we apply years of expertise and best practices to coordinate efforts among the numerous contractors and workers on site. And it means ongoing safe, reliable performance as we personally oversee and respond to all your on-the-job needs.

“One-stop shopping” - just one more feature that reflects the unique position of S.M. Electric among today's leading electrical contractors.

S.M. Electric Company, Inc.

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S.M. Electric Company, Inc. has always believed that in order for our company to be strong, our industry must be strong as well.

S.M. Electric continues to take an active leadership role in such industry and professional associations as N.E.C.A., A.S.A and the National Safety Council Utilities Division.

These associations have reinforced our company's credo that “we build today for a better tomorrow.”



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Current Focus

S.M. Electric Company, Inc.

Fall 2007
Volume II, Issue No. 3

President's Message



John J. Murphy
President

It hardly seems possible that more than a year has transpired since I assumed the reins as president of S.M. Electric Company, Inc. At that time, I pledged to open a dialogue with you to discuss your concerns and address your challenges. And this has been one of the most rewarding aspects of my job. As a company, we have surpassed the goals we set for ourselves, particularly with respect to a key priority, customer communications and service. We know this, in part, because of the relationships we have built with you in the past year. But we wanted to hear more from you, so we conducted our first ever client survey to get your feedback.

The results are in and we thank all participants for your enthusiastic and candid responses. Of the clients surveyed, S.M. Electric received a “Top 2” box score of more than 80% for safety and overall professionalism; 52% of those interviewed gave the company a “5,” the highest rating possible. This included criteria ranging from professionalism and project management to safety, change order management and invoicing accuracy. Every respondent indicated that the company would figure prominently in future bid considerations. And many clients were well aware of our service capabilities across a multitude of industries from power generation and pharmaceutical to transportation and green power. I will also be addressing a few areas where you felt we could do better. After all, that is precisely why we conducted this survey . . . to listen and respond to your feedback to improve service.

Perhaps the most significant survey statistic is that 95% of you would invite S.M. Electric back for future bids. We view this as a testimony to our legacy of building long-lasting relationships with vendors, with service partners and with you, our customers. And while we appreciate your accolades, we never stop trying to make improvements. With 60+ years in the industry, earning your trust is something we continue to work hard at, every day.

This issue also goes back to our roots in the public utilities sector and explores some recent initiatives prompted by national security concerns. We also spotlight safety, a top priority for our company since its inception. And we look at some of our strategic alliances that offer “one-stop shopping” for whatever project you may have on tap. Finally, we thank the more than 120 customers who joined us at our 10th annual golf outing. This gave us a great opportunity to spend the day improving our game and strengthening our ties with you.

As always, we appreciate your honest feedback and continued support. Should you have any questions or comments, please do not hesitate to let me know. As I said when I first took on this job, “My door is always open.”

Thank you.

John J. Murphy
President

This is a continuing series of articles that will be dedicated to construction needs that are unique to specific industries.

This month's focus will be devoted to a specific issue facing our own industry.

Industry Focus:

Utilities: Going Back to Our Roots

You might say that S.M. Electric Company, Inc. grew up alongside the utility industry, building our businesses side by side for more than 60 years. In that time, we have seen power projects ebb and flow based on everything from electrical demands and infrastructure needs to technological advances and the political climate. More recently, there has been a lot of push for utilities to invest in more “green” alternatives to traditional power sources. We pride ourselves on being environmentally responsive, including working on solar and wind collection systems and keeping up with the latest technologies so that we can help our utility customers follow suit.

Another key area of nationwide concern is the aging and overtaxed electrical infrastructure, which has proven vulnerable on numerous occasions to everything from natural disasters to unprecedented demand. Several memorable blackouts across the country bear witness to this fact. As power utilities actively pursue improvements to interconnect the grid and make the infrastructure more resilient, S.M. Electric has been immersed in new technologies, such as GE's Variable Frequency Transformer™ or VFT™ that can provide vital links for just this purpose.

Another key area for utility growth rose from the ashes of the terrorist attacks on September 11 and other global incidents that galvanized concerns regarding the security of our nation's power grid. According to recent assessments, these concerns are justified. In its 2005 Report to Congress, the Congressional Research Service (CRS) concluded that the electrical utility system remains prone to attack and that solutions to bolster the power grid require the combined efforts of industry and government. Since then, a number of government initiatives have been introduced generating a veritable surge in utility projects.

Some projects, such as the industry-sponsored and Federal Energy Regulatory Commission (FERC)-endorsed Spare Transformer Equipment Program (STEP), call for internal measures. The creation of an inventory of spare transformers would be used to get back online more quickly, minimizing the impact of outages in the event of a terrorist act or debilitating emergency. Other programs such as the PowerSec Initiative, an industry-wide alliance, take aim at cyber threats with regards to system resiliency and the industry's response readiness.

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S.M. ELECTRIC NEWS

Safety is a Way of Life

"In this business, there are numerous reasons why safety is important, from practical considerations to financial concerns. But the real reason we have always put safety first is the personal side; to protect our employees and their families. I remind our workers that when you pay attention to safety, you can go home safe." – John J. Murphy, President

At S.M. Electric Company, Inc. safety is a way of life, with our employees' health and well being as the top priority. In fact, we wrote the book on safety. S.M. Electric's Safety Policy Manual, "Safety First," sets the standard as one of the most comprehensive safety documents in the industry. This manual covers our stringent safety training policies and procedures, which exceed all OSHA, ANSI and federal regulations. Because of this, OSHA has even used and distributed our manual in national safety training sessions it conducts annually.

But it takes more than an "acclaimed" procedures manual to ensure safety on the job. That's why S.M. Electric has a separate Safety Department staffed with nine full-time safety professionals devoted to the task. They have instituted rigorous training to ensure that everyone understands and follows safety mandates. There are sessions on personal and job site safety, weekly safety meetings and onsite inspections. One informative course deploys a model to demonstrate the characteristics of 15,000 volts of electricity. It is so effective that the U.S. Department of Labor uses the demonstration at OSHA's National Training Institute in Chicago. We even open up training classes to any customers who may be interested in learning about particular safety requirements.

Beyond our renowned training programs, our safety ethic entails regularly reviewing each project to identify industry-specific safety standards and any varying state regulations. For ongoing safety, our personnel closely track all the latest OSHA, ANSI and federal guidelines. This stringent commitment to safety protocols gives us (and you) the edge, increasing worker preparedness and safety at every project site. With accident rates far below industry averages, we can reduce insurance costs, passing the savings along to you. And because we provide a more efficient work environment, you experience fewer delays due to worksite hazards, so your projects stay on schedule and on budget.

Having a dedicated safety group may not be the norm for most electrical contractors, but at S.M. Electric, we have found the results to be powerful. In this potentially high-risk industry where work site hazards abound, it is not surprising that electrical-related jobs are ranked among the top ten occupations for fatalities on the job. When you consider that each "statistic" represents a worker and his/her family, this ranking is inexcusable. Thanks to our job site safety protocols, S.M. Electric has been able to buck this trend with an exemplary record throughout our 60-year history.

It is no surprise that our company has been recognized with countless safety awards at state and national levels. Just last year, we received five Governor's Safety Awards for projects having no lost time or recordable injuries. Beyond these awards, we have taken a leading role on a number of national safety councils, including the National Safety Council (Utilities Division). And recently, William Hering, Corporate Safety Director at S.M. Electric, was elected National Chairman of The Association of Union Contractors (TAUC). In this role, Hering will chair TAUC's Safety and Health Committee, making policy recommendations on key health and safety issues and working with OSHA and other regulatory bodies on proposed federal regulations and standards.

Active participation like this enables S.M. Electric to draw on national resources to tackle safety issues as they arise. A case in point was our ability to quickly respond to workplace threats involving the safe handling of hexavalent chromium, a toxic carcinogenic form of metal used in the industry. Within hours of identifying the problem, we were training workers on newly developed OSHA safety standards.

From national forums and awards, to training and protocols at individual job sites, our safety and yours is a way of life at S.M. Electric.



Continued from front cover

Industry Focus: Utilities: Going Back to Our Roots

Given this overall outlook, it is not surprising that the utility sector has embarked on an aggressive campaign to improve the safety, reliability, capacity and redundancy of the nation's power grid. It is a Herculean task. The California Electric Power Research Institute estimates that upgrading the power transmission system alone could cost \$50-\$100 billion.

Despite the hefty price tag, the industry is committed to combat infrastructure and security concerns with a vital overhaul. As they examine plans to "ramp up" their physical plant, cyber safety, internal control systems, transmission facilities and more, utility clients across the Northeast are contacting S.M. Electric for assistance with their electrical contracting needs.

Public Service Gas and Electric (PSE&G) recently pledged more than \$1 billion/year for several years to upgrade and increase transmission facilities in New Jersey to achieve these goals. This May, Northeast Utilities announced plans for similar spending on major construction projects throughout its New England coverage area. Not only are these firms looking to increase capacity, but they are building in better redundancy to provide ample backup in the event of an emergency. Consolidated Edison (Con Ed), New York's major utility, plans to invest \$39 million over three years to connect Manhattan substations using highly resilient superconducting cables to improve redundancy and security.

From bucolic New England to the bustling nation's capital, S.M. Electric has been taking a leading role in many of these utility company projects. We are well versed in the industry's pressing capacity challenges and security concerns. Our legacy is

working on major power

projects, cogeneration plants, substations and more for utility companies in the tri-state area. We continue to build our expertise in these areas, so that our clients may have the latest cutting edge technology available to them. And while we might not address utility cyber security, we do maintain extensive security policies and safety practices that are unprecedented among electrical contractors. This includes screening and selecting the right workers for every project to ensure a safe, secure job site. And with 60+ years experience in the business, we can also draw on strategic alliances with a number of vendors who supplement our capabilities in many areas of industry expertise such as transmission and construction engineering.

As we move forward in this busy time of power projects, we welcome the opportunity to get back to our roots working within today's ever-expanding utility industry.

S.M. Electric Company, Inc. Safety Trends & Comparisons Revised March, 2007

	2002	2003	2004	2005	2006
TOTAL MAN HOURS					
S.M. Electric	1,282,460	1,119,316	1,223,731	660,748	640,560
EMR					
S.M. Electric	.495	.573	.516	.549	.472
TRIR					
S.M. Electric	1.71	.893 (5)	1.14 (7)	1.51 (5)	.936 (11)
National Avg.	7.5	7.3	6.4	N/A	N/A
LWCIR					
S.M. Electric	.155	.178 (2)	.326 (2)	.605 (2)	.936 (1)
National Avg.	3.0	2.8	2.4	N/A	N/A
JTFR					
S.M. Electric	.467	.357 (1)	.326 (2)	.302 (2)	.936 (3)
National Avg.	1.1	1.1	1.0	TBA	TBA

Glossary of Terms:

- EMR** Experience Modification Ratings
- TRIR** Total Recordable Incident Rates
- LWCIR** Lost Workday Case Incident Rates
- JTFR** Job Transfer for Restriction
- ()** Parenthesis Show the Absolute Number of Days

SAFETY: "Just a moment's lapse in safe practice can have disastrous results!"

– Bill Hering